

Muscatine Power and Water

Communications Utility

Operating Statements and Balance Sheets

August 2010

**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
Current Month - August 2010

	<u>Current Month</u>				
	<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	\$661,495	(6.6)	\$617,963	12.1	\$551,107
Data/Internet	296,844	(3.6)	286,229	10.5	259,007
MAN	29,192	(1.3)	28,800	1.4	28,413
Miscellaneous	7,075	6.6	7,545	(0.3)	7,564
	<u>994,606</u>	<u>(5.4)</u>	<u>940,537</u>	<u>11.2</u>	<u>846,091</u>
<u>Operating Expense</u>					
Operation	626,244	8.3	678,094	15.2	588,461
Maintenance	78,033	(14.0)	67,146	0.0	67,148
Depreciation	185,391	3.0	190,872	12.1	170,268
Amortization	64,428	---	64,428	---	64,421
	<u>954,096</u>	<u>4.9</u>	<u>1,000,540</u>	<u>12.4</u>	<u>890,298</u>
Operating Income (Loss)	<u>40,510</u>	<u>---</u>	<u>(60,003)</u>	<u>35.7</u>	<u>(44,207)</u>
<u>Nonoperating Revenue (Expense)</u>					
Interest Income	3,426	(92.2)	266	(84.0)	1,661
Interest Expense	(108,058)	(0.2)	(107,854)	---	(107,854)
	<u>(104,632)</u>	<u>2.8</u>	<u>(107,588)</u>	<u>1.3</u>	<u>(106,193)</u>
Net Nonoperating Expense					
Net Loss before Capital Contributions	(64,122)	---	(167,591)	11.4	(150,400)
Capital Contributions	---	---	---	---	180,472
Change in Net Deficit	(\$64,122)		(\$167,591)		\$30,072
Beginning Net Deficit	(20,093,941)		(20,480,889)		(18,943,912)
Ending Net Deficit	<u>(\$20,158,063)</u>		<u>(\$20,648,480)</u>		<u>(\$18,913,840)</u>
Net Loss to Total Income	(6.4)		(17.8)		(17.7)
Debt Service Coverage on Bank Debt	84.46		56.30		61.51
Debt Service Coverage on Bank and Electric Utility Debt	2.74		1.82		1.90

Muscatine Power and Water - Communications Utility
Statements of Revenues, Expenses, and Changes in Net Deficit
Calendar Year-to-Date - August 2010

	<u>Calendar Year-to-Date</u>				
	<u>Budget</u>	<u>% Increase</u>	<u>This</u>	<u>% Increase</u>	<u>Last</u>
	<u>Estimate</u>	<u>From Budget</u>	<u>Year</u>	<u>Fr. Last Yr.</u>	<u>Year</u>
<u>Operating Revenue</u>					
CATV	\$5,192,268	(7.1)	\$4,825,741	8.8	\$4,435,077
Data/Internet	2,337,200	(3.8)	2,247,631	10.2	2,039,199
MAN	233,536	(3.8)	224,687	(0.5)	225,739
Miscellaneous	56,452	4.5	59,005	(0.7)	59,407
Total Operating Revenues	7,819,456	(5.9)	7,357,064	8.8	6,759,422
<u>Operating Expense</u>					
Operation	4,989,482	0.4	5,009,983	11.4	4,496,906
Maintenance	615,717	(9.6)	556,746	1.0	551,019
Depreciation	1,483,130	3.0	1,526,976	12.1	1,362,144
Amortization	515,425	---	515,424	---	515,372
Total Operating Expenses	7,603,754	0.1	7,609,129	9.9	6,925,441
Operating Income (Loss)	215,702	---	(252,065)	51.8	(166,019)
<u>Nonoperating Revenue (Expense)</u>					
Interest Income	26,332	(92.2)	2,060	(91.2)	23,457
Interest Expense	(864,467)	(0.2)	(862,837)	---	(862,837)
Net Nonoperating Expense	(838,135)	2.7	(860,777)	2.5	(839,380)
Net Loss before Capital Contributions	(622,433)	78.8	(1,112,842)	10.7	(1,005,399)
Capital Contributions	---	---	---	---	181,972
Change in Net Deficit	(622,433)		(1,112,842)		(823,427)
Beginning Net Deficit	(19,535,638)		(19,535,638)		(18,090,413)
Ending Net Deficit	(\$20,158,071)		(\$20,648,480)		(\$18,913,840)
Net Loss to Total Income	(7.9)		(15.1)		(14.8)
Debt Service Coverage on Bank Debt	80.53		64.53		63.14
Debt Service Coverage on Bank and Electric Utility Debt	2.61		2.09		2.03

Muscatine Power and Water - Communications Utility
Statements of Net Assets
August 2010

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets:		
<u>Restricted</u>		
Cash - interest bearing	\$1	---
Total Restricted Current Assets	1	---
<u>Unrestricted</u>		
Cash - interest bearing	1,191,304	1,273,225
Investments	399,968	800,000
Receivables:		
Consumer Accounts	1,035,144	1,252,805
Interest	54	12,715
Inventories	299,593	316,067
Prepaid Pension	73,276	---
Prepaid Expenses	89,131	132,326
Total Unrestricted Current Assets	3,088,470	3,787,138
Total Current Assets	3,088,471	3,787,138
Property and Equipment:		
At Cost	29,750,796	28,746,028
Less Accumulated Depreciation	17,560,310	16,325,136
Net Property and Equipment	12,190,486	12,420,892
Other Assets:		
Unamortized Cost of Issuing Debt	23,732	29,208
Total Other Assets	23,732	29,208
Intangible Assets:		
Intangible Assets - Less Accumulated Amortization of \$6,351,201 in 2010 and \$5,578,091 in 2009	1,803,986	2,577,096
TOTAL ASSETS	<u>\$17,106,675</u>	<u>\$18,814,334</u>

Muscatine Power and Water - Communications Utility
Statements of Net Assets
August 2010

LIABILITIES AND NET DEFICIT

	<u>2010</u>	<u>2009</u>
Current Liabilities:		
<u>Restricted</u>		
Accrued Interest	\$6,956	\$6,956
Total Restricted Current Liabilities	6,956	6,956
<u>Unrestricted</u>		
Accrued Interest	207,840	207,840
Accounts Payable	743,758	627,874
Pension Provision	---	125,710
Health & Dental Insurance Provision	35,880	34,580
Intercompanies	14,122	9,083
Accrued Payroll	58,343	51,280
Accrued Vacation	116,000	105,533
Accrued Property Taxes	29,167	28,754
Miscellaneous Accrued Expenses	96,898	97,666
Total Unrestricted Current Liabilities	1,302,008	1,288,320
Total Current Liabilities	1,308,964	1,295,276
Non-Current Liabilities:		
Health & Dental Insurance Provision	231,191	217,898
Notes Payable:		
Banks	888,000	888,000
Electric Utility	35,327,000	35,327,000
Total Non-Current Liabilities	36,446,191	36,432,898
Net Deficit:		
Invested in capital assets, net of related debt	13,135,681	14,144,672
Unrestricted	(33,784,161)	(33,058,512)
Total Net Deficit	(20,648,480)	(18,913,840)
TOTAL LIABILITIES AND NET DEFICIT	<u>\$17,106,675</u>	<u>\$18,814,334</u>

Muscatine Power and Water - Communications Utility
Statements of Cash Flows
August 2010

	<u>Current</u> <u>Month</u>	<u>Year-</u> <u>To-Date</u>
Cash flows from operating activities:		
Cash received from:		
Communications sales	\$914,478	\$7,090,786
Advertising sales	13,400	132,585
Sale of digital converters	---	94,808
Miscellaneous sources	9,414	73,298
Cash paid to/for:		
Suppliers	(388,927)	(3,384,848)
Employees payroll, taxes and benefits	(442,750)	(2,221,835)
	<hr/>	<hr/>
Net cash flows from operating activities	105,615	1,784,794
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Capital expenditures, net	(103,177)	(1,105,368)
Loan interest payments	---	(665,258)
	<hr/>	<hr/>
Net cash flows from capital and related financing activities	(103,177)	(1,770,626)
	<hr/>	<hr/>
Cash flows from investing activities:		
Interest received on investments	3,349	4,655
Accrued interest purchased	---	(516)
Amortization/accretion of investments	150	631
Mark to market	(109)	(2,364)
	<hr/>	<hr/>
Net cash flows from investing activities	3,390	2,406
	<hr/>	<hr/>
Net increase in cash and investments	5,828	16,574
	<hr/>	<hr/>
Cash and investments at beginning of period	1,585,445	1,574,699
	<hr/>	<hr/>
Cash and investments at end of period	\$1,591,273	\$1,591,273
	<hr/> <hr/>	<hr/> <hr/>

Muscatine Power and Water - Communications Utility
Statements of Cash Flows
August 2010

	<u>Current</u> <u>Month</u>	<u>Year-</u> <u>To-Date</u>
Reconciliation of operating loss to net cash flows from operating activities		
Operating loss	(\$60,003)	(\$252,065)
Noncash items in operating income:		
Converter/modem write-off	—	6,817
Depreciation of utility plant	190,872	1,526,976
Amortization of intangible assets	64,428	515,424
Changes in assets and liabilities:		
Consumer accounts receivable	(7,061)	(55,478)
Inventories	(9,056)	(246)
Prepaid and deferred expenses	17,823	(208,893)
Accounts payable	62,939	307,695
Pension provision	(201,509)	(73,276)
Health & dental insurance provision	(1,540)	(11,200)
Intercompany payable	5,204	13,291
Retained percentage on contracts	—	—
Accrued payroll	15,374	23,962
Accrued vacation	(1,640)	11,737
Accrued property taxes	2,084	4,372
Miscellaneous accrued expenses	27,700	(24,322)
	<hr/>	<hr/>
Net cash flows from operating activities	<u><u>\$105,615</u></u>	<u><u>\$1,784,794</u></u>

Muscatine Power and Water - Communications Utility
Summary of Expenses
Current Month - August 2010

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>CATV</u>			
Program Acquisition Expense	\$297,979	\$302,564	\$269,037
Promotional Expense	19,583	27,957	10,870
Electricity Expense	2,166	2,199	2,124
Pole Attachment Expense	2,167	2,167	2,036
Changes of Service	763	958	1,379
Underground Line Expense	2,621	2,066	2,231
Ad Insertion - Marketing/Production	10,418	4,426	4,431
Miscellaneous CATV Expense	9,813	13,372	45,557
Vehicle Expense	5,959	4,460	3,646
Maintenance:			
Fiber	908	187	36
Coax	3,487	1,929	732
Drops	4,760	2,104	4,434
Conduit System	589	61	690
Headend	15,660	8,392	11,821
Line Equipment	3,848	8,256	7,053
Converters	5,251	7,535	6,447
Ad Insertion	4,590	3,983	3,602
Vacation, Holiday , Sick Leave	3,545	3,071	3,008
Property Taxes	1,373	1,373	(4,006)
Depreciation	141,947	149,041	125,665
Amortization	48,321	48,321	48,316
Total CATV	585,748	594,422	549,109
<u>Data/Internet</u>			
Data/Internet Access Charges	30,049	24,011	20,067
Promotional Expense	6,666	37,494	6,073
Electricity Expense	74	75	73
Pole Attachment Expense	75	75	71
Changes of Service	327	411	591
Customer Wireless Equipment Expense	974	3,359	309
Underground Line Expense	89	71	76
Miscellaneous Data/Internet Expense	8,980	9,425	12,022
Vehicle Expense	659	540	441
Maintenance:			
Fiber	29	7	1
Coax	118	30	25
Drops	189	72	151
Conduit System	16	2	24
Headend	22,448	13,602	15,714
Line Equipment	130	282	241
Modems	4,261	4,483	6,754
Vacation, Holiday, Sick Leave	3,019	2,100	1,871
Property Taxes	48	48	(140)
Depreciation	21,036	20,157	22,188
Amortization	16,107	16,107	16,105
Total Data/Internet	\$115,294	\$132,351	\$102,657

Muscatine Power and Water - Communications Utility
Summary of Expenses
Calendar Year-to-Date - August 2010

	Budget		
	<u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>CATV</u>			
Program Acquisition Expense	\$2,353,347	\$2,320,438	\$2,130,883
Promotional Expense	156,668	167,199	60,618
Electricity Expense	16,833	16,909	16,963
Pole Attachment Expense	17,333	17,333	16,288
Changes of Service	6,105	14,770	9,299
Underground Line Expense	20,886	17,442	18,489
Ad Insertion - Marketing/Production	74,331	36,808	45,491
Miscellaneous CATV Expense	77,626	117,810	101,472
Vehicle Expense	47,972	33,876	35,441
Maintenance:			
Fiber	7,055	4,136	3,565
Coax	27,916	10,258	22,517
Drops	37,889	18,912	32,178
Conduit System	4,443	1,804	1,674
Headend	125,339	146,290	144,772
Line Equipment	29,975	20,621	20,471
Converters	41,858	72,177	55,426
Ad Insertion	36,615	32,172	26,217
Vacation, Holiday, Sick Leave	36,281	33,236	34,474
Property Taxes	10,983	10,983	9,064
Depreciation	1,135,574	1,192,328	1,005,320
Amortization	386,569	386,568	386,529
Total CATV	4,651,598	4,672,070	4,177,151
<u>Data/Internet</u>			
Data/Internet Access Charges	213,391	201,424	220,169
Promotional Expense	53,336	124,102	22,140
Electricity Expense	573	577	579
Pole Attachment Expense	600	600	568
Changes of Service	2,616	6,330	3,985
Customer Wireless Equipment Expense	7,745	11,168	5,298
Underground Line Expense	713	595	631
Miscellaneous Data/Internet Expense	71,811	69,188	61,041
Vehicle Expense	5,269	4,091	4,324
Maintenance:			
Fiber	222	145	99
Coax	940	316	758
Drops	1,503	647	1,097
Conduit System	127	63	58
Headend	182,170	135,987	140,876
Line Equipment	1,013	703	718
Modems	33,709	29,239	32,997
Vacation, Holiday, Sick Leave	30,401	25,973	37,599
Property Taxes	383	383	315
Depreciation	168,289	161,256	177,504
Amortization	128,856	128,856	128,843
Total Data/Internet	\$903,667	\$901,643	\$839,599

Muscatine Power and Water - Communications Utility
Summary of Expenses
Current Month - August 2010

	<u>Budget Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>MAN</u>			
Pole Attachment Expense	\$1,042	\$1,042	\$983
Tools Expense	---	481	---
Maintenance:			
Fiber	481	90	18
Conduit System	220	29	333
MAN Equipment	6,484	12,316	4,728
Vacation, Holiday, Sick Leave	59	90	78
Property Taxes	662	662	(1,932)
Depreciation	13,333	13,140	12,974
Total MAN	22,281	27,850	17,182
<u>Customer Service Expense</u>			
Customer Information Expense	8,519	20,956	13,276
<u>Consumer Accounts</u>			
Supervision	2,368	2,571	2,606
Consumer Records and Collections	37,294	36,824	38,112
Uncollectible Accounts Expense	714	714	250
Vacation, Holiday, Sick Leave	3,152	3,333	2,623
Total Consumer Accounts	43,528	43,442	43,591
<u>Administrative and General</u>			
Administrative and General Salaries	52,298	54,532	47,877
Office Supplies and Expense	4,900	3,685	5,858
Outside Services Employed	6,894	4,738	6,080
Property Insurance	905	854	854
Casualty Ins, Injuries & Damages	5,091	3,418	4,730
Employee Pensions and Benefits	70,388	66,245	66,182
Fringe Benefits Charges to Construction	(5,559)	(5,679)	(6,552)
Rents	9,553	9,553	8,649
Miscellaneous General Expense	14,471	26,955	12,207
Maintenance of General Plant	4,564	3,786	4,344
Vacation, Holiday, Sick Leave	6,146	4,898	4,813
Depreciation	9,075	8,534	9,441
Total Administrative and General	178,726	181,519	164,483
Total Operating Expenses	\$954,096	\$1,000,540	\$890,298

Muscatine Power and Water - Communications Utility
Summary of Expenses
Calendar Year-to-Date - August 2010

	Budget Estimate	This Year	Last Year
<u>MAN</u>			
Pole Attachment Expense	\$8,333	\$8,333	\$7,864
Tools Expense	---	2,753	701
Maintenance:			
Fiber	3,750	5,605	1,370
Conduit System	1,752	870	808
MAN Equipment	51,910	47,952	38,557
Vacation, Holiday, Sick Leave	681	1,016	959
Property Taxes	5,300	5,300	4,375
Depreciation	106,667	105,120	103,792
Total MAN	178,393	176,949	158,426
<u>Customer Service Expense</u>			
Customer Information Expense	99,733	81,926	106,001
<u>Consumer Accounts</u>			
Supervision	18,734	20,330	19,365
Consumer Records and Collections	298,943	323,717	291,826
Uncollectible Accounts Expense	5,715	5,715	2,000
Vacation, Holiday, Sick Leave	32,039	31,328	30,314
Total Consumer Accounts	355,431	381,090	343,505
<u>Administrative and General</u>			
Administrative and General Salaries	418,412	433,170	390,909
Office Supplies and Expense	43,723	34,104	35,571
Outside Services Employed	52,245	42,609	53,327
Property Insurance	7,088	6,835	6,362
Casualty Ins, Injuries & Damages	40,665	32,644	38,604
Employee Pensions and Benefits	570,831	561,424	527,281
Fringe Benefits Charges to Construction	(44,467)	(38,772)	(39,953)
Rents	76,424	76,424	69,192
Miscellaneous General Expense	89,191	83,047	58,574
Maintenance of General Plant	27,531	28,849	26,861
Vacation, Holiday, Sick Leave	60,689	66,845	58,503
Depreciation	72,600	68,272	75,528
Total Administrative and General	1,414,932	1,395,451	1,300,759
Total Operating Expenses	\$7,603,754	\$7,609,129	\$6,925,441

Muscatine Power and Water - Communications Utility
Statistical Data
August 2010

Services	Budget Estimate	% Increase (Decrease) From Budget	This Year ^{fn2}	% Increase (Decrease) Fr. Last Yr.	Last Year ^{fn2}
<u>CATV</u>					
Residential	8,128	(7.7)	7,499	(2.6)	7,699 ^{fn1}
Commercial/Hospitality	<u>142</u>	26.1	<u>179</u>	6.5	<u>168</u>
Total CATV	<u>8,270</u>	(7.2)	<u>7,678</u>	(2.4)	<u>7,867</u>
Bulk Equivalent Services	<u>379</u>	27.7	<u>484</u>	41.1	<u>343</u>
Bulk Master Services	<u>26</u>	7.7	<u>28</u>	7.7	<u>26</u>
<u>Internet</u>					
Residential	6,760	(7.9)	6,225	3.2	6,032
Commercial	<u>503</u>	(7.0)	<u>468</u>	(7.1)	<u>504</u>
Total Internet	<u>7,263</u>	(7.8)	<u>6,693</u>	2.4	<u>6,536</u>
<u>MAN</u>	<u>19</u>	(10.5)	<u>17</u>	6.3	<u>16</u>

fn1 Includes services that were converted to bulk agreements; 46 in June & 21 in November.

fn2 Number of actual residential and commercial services are as of the end of month subscriber report

Communications Utility
Review of Operating Results
August, 2010

MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY
REVIEW OF YEAR-TO-DATE OPERATING RESULTS - AUGUST 31, 2010
(Analysis of Financial Statements - Page 1)

Decrease (Increase) to Budgeted Net Deficit

	Favorable/ (Unfavorable)	
Operating Revenue		
CATV Revenue	\$ (185,581)	Digital converter rental revenues lower due to delay in digital transition, lower overall subscribers, and due to more customers renting lower revenue digital adapters than the higher priced standard- and high-definition converters
	(129,067)	Lower than budget ad insertion revenues, \$260,000 budgeted vs. \$130,933 actual
	(51,879)	Other miscellaneous variances - net, primarily due to fewer subscribers
	<u>(366,527)</u>	
Data/Internet Revenue	(81,706)	Lower residential cable modem revenues due to fewer subscribers
	(7,863)	Other miscellaneous variances - net
	<u>(89,569)</u>	
MAN	(8,849)	Miscellaneous variances - net
Miscellaneous Revenue	<u>2,553</u>	Miscellaneous variances - net
Operating Expense		
Operation	32,250	Lower ad sales insertion commissions
	17,169	Less travel
	11,400	Customer survey has been delayed until later in the year
	10,000	Customer service training has been postponed indefinitely
	14,187	Less marketing postage
	13,977	Material and fuel expenses related to vehicle usage are below budget
	11,922	Health insurance expense is lower than budget due to open positions
	8,558	Printed promotional materials are lower than budget
	8,080	Lower pension costs
	3,513	Lower telephone expense
	1,288	Memberships & subscriptions are lower than budget, including a membership in the Cable Advertising Bureau, not yet renewed
	(4,038)	Overtime and temp labor in Customer Service department higher due to higher customer volumes related to digital conversion
	(7,123)	Promotional materials for the digital conversion were not budgeted
	(7,983)	More changes of service labor for CATV techs
	(9,852)	More labor for CATV techs incurred for misc. CATV expense
	(18,885)	Remotes for standard and advanced digital boxes were not budgeted
	(18,164)	Salaries in Utility Relations department are higher due to dual incumbents in Manager position
	(70,766)	Promotional programs & discounts for cable modem service are higher than budgeted
	(16,034)	Other miscellaneous variances - net
	<u>(20,501)</u>	
Maintenance	27,931	Internet headend maintenance agreements have not been renewed pending purchase of new equipment
	9,355	Less labor & materials to repair line equipment
	17,658	Less labor & materials have been spent on repairing CATV coax
	18,977	Less labor & materials have been spent on repairing CATV drops
	18,252	Less labor & materials have been needed on maintenance of internet headend equipment
	9,818	MAN materials are less than budget
	(5,009)	MAN Labor is more than budget
	2,477	Less labor to repair modems
	(24,683)	Additional labor to troubleshoot digital box problems in customers' homes
	(24,431)	Additional labor to work on digital headend CATV equipment to launch new channels and troubleshoot software issues
	8,626	Other miscellaneous variances - net
	<u>58,971</u>	
Depreciation	(43,846)	Depreciation is greater than budgeted due to more fixed assets purchases in 2009
Nonoperating Revenue (Expense)		
Interest Income	(24,272)	Lower cash and investment balances due to more digital converters purchased earlier in the year than budgeted, and due to earning a lower rate of return (.20% actual versus 2% budgeted)
Interest Expense	1,630	Miscellaneous variances - net
Change in Net Deficit	<u>\$ (490,410)</u>	Total Increase in Budgeted Net Deficit

Statement of Revenues, Expenses and Changes in Net Deficit

Operating Revenues

CATV

Digital converter rental revenues are lower than projected by \$185,581; approximately \$34,664 of this is due to a delay in the digital transition from January 6th to February 1st, and the remaining difference of \$150,917 due to a lower number of digital subscribers, 7,133 actual as opposed to the budgeted 8,212 subscribers. More customers have rented the lower revenue/lower cost digital adapters than the higher revenue/higher cost standard- and high-definition converters available. See the box analysis schedule following for additional information. Ad insertion revenues were lower than budgeted by \$129,067; sales generated year-to-date were \$130,933 compared to the \$260,000 budgeted.

Internet Revenue

Cable modem revenues are lower than budgeted by \$81,706 due to fewer subscribers than budgeted. Cable modem revenues are higher than last year by \$225,186 due to more subscribers and due to a \$5 price increase effective January 1, 2010 for customers not also subscribing to cable TV service.

Non-Operating Revenue (Expense)

Interest Income

Interest income is \$24,272 less than the budget due to lower cash and investment balances, due to spending more capital on digital converters than budgeted, due to earning a lower rate of return than budgeted (earning an average rate of 0.20% year-to-date versus the 2% budgeted), and due to a negative mark-to-market adjustment of \$2,995.

Balance Sheets

Liabilities

Health and Dental Insurance Provision

Health and dental care claims have been less than premiums accrued. The current portion is based on the third party administrator's estimate of incurred but unpaid health claims at year end. This estimate is adjusted annually.

Year-To-Date Summary of Expenses

CATV

Program Acquisition Expense

Programming is higher than last year due to an 11.0% increase in programming costs per subscriber. A large portion of this increase is due to moving more channels into the Select tier, resulting in that tier's programming costs being higher than last year.

Promotional Expense

Current year expense is higher than last year for customer promotional programs for free & discounted set-top box rentals, plus discounts and expenses for additional services.

Changes of Service

Labor expense for CATV techs is greater than budget by \$7,983 and greater than last year by \$5,331, due to efforts related to the digital transition.

Ad Insertion – Marketing/Production

Marketing salaries are below budget and last year due to lower ad insertion revenues.

Miscellaneous CATV Expense

Remote controls for standard and advanced set top digital boxes were charged here for the digital transition totaling \$18,885, but were not budgeted. Labor for the CATV techs is greater than budget by \$9,852 and higher than last year by \$11,039. Last year, there were two large stores inventory count credit adjustments in March and April totaling \$7,589.

Vehicle Expense

Miscellaneous materials expenses are below budget year-to-date by \$9,055 as well as fuel expense being below budget by \$4,922.

Maintenance of Coax

Labor is lower than budget by \$14,762; materials expenses have not been needed to the extent budgeted for repair and therefore are lower than budget by \$2,896.

Maintenance of Drops

Labor is lower than budget by \$13,755; materials expenses have not been needed to the extent budgeted for repairs and are lower than budget by \$5,222.

Maintenance of Headend

Labor is over budget by \$24,431 due to extra work required on the digital headend equipment to launch new channels and troubleshooting CAP and DAC software issues. Maintenance agreements are \$27,489 higher than last year due to higher renewal costs and additional equipment purchased.

Maintenance of Line Equipment

Labor is under budget by \$2,735 and only \$7,617 of the \$14,237 budgeted for materials have been spent.

CATV (cont'd)

Maintenance of Converters

Labor is over budget by \$24,683 due to work by CATV techs to troubleshoot converter problems in customers' homes primarily as a result of the digital transition; labor is also in excess of last year by \$13,680. Labels were purchased for converter boxes that were not budgeted until later in the year of \$3,294.

Depreciation

Depreciation is higher than last year due to a large number of CATV digital converters and new headend equipment needed for the digital conversion transition project. Both of these types of equipment have five-year lives.

Data/Internet

Data/Internet Access Charges

Internet access charges, due to a new INS agreement, are lower than last year by \$18,502.

Promotional Expense

Current year expense is higher than budget due to customer promotional programs and discounts. Current year expense is higher than last year due to programs to promote cable modem service and home networking.

Miscellaneous Data/Internet Expense

Labor is greater than last year by \$14,478.

Maintenance of Headend

Maintenance agreements are less than budget by \$27,931. The Cisco agreement has not yet been renewed pending replacement of equipment. Additionally, materials expenses are below budget \$7,720 and labor is below budget \$10,532.

Maintenance of Modems

Labor is under budget by \$2,477.

Vacation, Holiday, Sick Leave

Last year expense was higher than normal due to an extended medical leave of absence in the data technicians' area.

MAN

Maintenance of MAN Equipment

Only \$182 for materials has been expended of the \$10,000 budgeted. Labor is over Budget by \$5009.

Customer Service ExpenseCustomer Information Expense

	2010 <u>Budget</u>	2010 <u>Actual</u>	2009 <u>Actual</u>
Digital Conversion Promotion	\$ ---	\$ 7,123	\$ 21,847
Promotional Materials	29,748	21,190	32,928
Postage	15,724	1,537	2,043
Customer Survey	11,400	---	---
Media Advertising*	33,548	42,793	43,666
Other expenses	<u>9,313</u>	<u>9,283</u>	<u>5,517</u>
	<u>\$99,733</u>	<u>\$81,926</u>	<u>\$106,001</u>

*Budget included \$11,000 for two TV image campaigns that will not be done, but will be spent as promotional campaign expenses instead.

The customer survey has not yet taken place, but will be incurred later in the year.

Consumer AccountsConsumer Records and Collections

Salaries and temp services in the Customer Service department are higher than last year and the budget due to overtime worked to accommodate higher customer volume related to the digital conversion. Materials are higher than budget by \$10,713.

Administrative & GeneralAdministrative & General Salaries

Salaries in the Utility Relations department are higher than budget by \$18,164, primarily due to dual incumbents in the Manager position from the end of January until the beginning of April.

Office Supplies and Expense

	2010 <u>Budget</u>	2010 <u>Actual</u>	2009 <u>Actual</u>
Memberships & Subscriptions	\$ 10,167	\$ 7,300	\$ 7,544
Telephone Expense	14,851	11,338	12,410
Other expenses	<u>18,705</u>	<u>15,466</u>	<u>15,617</u>
	<u>\$43,723</u>	<u>\$34,104</u>	<u>\$35,571</u>

Administrative & GeneralOutside Services

	2010 <u>Budget</u>	2010 <u>Actual</u>	2009 <u>Actual</u>
Organization Study	\$ ---	\$ ---	\$ 8,457
Compensation Survey	---	---	4,378
Legal Fees	3,135	1,840	2,187
MCC Public Access	33,756	32,340	30,424
Development Training	1,760	---	---
Employment Search Service	1,467	---	---
Insurance Advisor	3,887	3,524	3,755
I.S. Dept. Infrastructure Review	660	---	---
Audit Fees	4,015	3,773	2,893
Other expenses	<u>3,565</u>	<u>1,132</u>	<u>1,233</u>
	<u>\$ 52,245</u>	<u>\$ 42,609</u>	<u>\$ 53,327</u>

Employee Pensions & Benefits

	2010 <u>Budget</u>	2010 <u>Actual</u>	2009 <u>Actual</u>
Health Insurance	\$ 241,486	\$229,564	\$221,168
Pension Expense	154,632	146,552	125,710
FICA	111,309	116,619	111,589
Unemployment	1,650	10,894	1,461
Other expenses	61,754	<u>57,795</u>	<u>67,353</u>
	<u>\$570,831</u>	<u>\$561,424</u>	<u>\$ 527,281</u>

Pension expense is higher in the current year than last year by \$20,842 due to a slightly higher allocation to the Communications Utility and due to higher actual pension cost. FICA is higher than budget and last year because of higher labor expense due to the digital transition and a dual incumbent in the marketing manager position. Health insurance is higher than last year due to a slightly higher allocation to the Communications Utility. Unemployment expense is higher due to more claims than expected.

Miscellaneous General Expense

Travel is below budget year-to-date \$17,169. Customer service training budgeted at \$10,000 for April has been postponed indefinitely. Employment expenses are over budget by \$21,556 due to relocation expenses paid in June and fees included in August related to the hiring of a cable advertising sales representative.

Vacation, Holiday and Sick Leave

Current year's expense is higher than normal, primarily due to the extended medical leave of an employee in the Communications Department.

Analysis of Revenue from Digital Boxes

	January	February	March	April	May	June	July	August	September	October	November	December	Total
<u>Digital Subs</u>													
Budget	7,973	8,032	8,092	8,212	8,212	8,212	8,212	8,212	8,212	8,212	8,212	8,212	
Actual	6,669	7,009	7,010	7,057	7,070	7,082	7,093	7,133					
Variance	(1,304)	(1,023)	(1,082)	(1,155)	(1,142)	(1,130)	(1,119)	(1,079)					
<u>Boxes per HH</u>													
Budget	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	
Actual	2.11	2.55	2.60	2.60	2.65	2.66	2.68	2.70					
<u>Adapters @ \$1.25</u>													
Budget:													
% of Boxes	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	
# Boxes	5,980	6,024	6,069	6,159	6,159	6,159	6,159	6,159	6,159	6,159	6,159	6,159	
Rev/Box/Mo.	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	
Rev/Month	\$ 7,475	\$ 7,530	\$ 7,586	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 91,880
Actual:													
# Boxes	4,975	8,306	8,608	8,618	8,970	9,063	9,199	9,443					
Total Budget Revenue	\$ 7,475	\$ 7,530	\$ 7,586	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699					\$ 61,085
Total Actual Revenue	2,969	10,092	11,826	12,181	12,385	12,542	12,617	12,861					87,473
Variance	\$ (4,506)	\$ 2,562	\$ 4,240	\$ 4,482	\$ 4,686	\$ 4,843	\$ 4,918	\$ 5,162					\$ 26,388
<u>Standard Boxes @ \$4.00</u>													
Budget:													
% of Boxes	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
# Boxes	9,966	10,040	10,115	10,265	10,265	10,265	10,265	10,265	10,265	10,265	10,265	10,265	
Rev/Box/Mo.	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	
Rev/Month	\$ 39,865	\$ 40,160	\$ 40,460	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 490,025
Actual:													
# Boxes	6,340	6,694	6,672	6,701	6,670	6,619	6,590	6,585					
Total Budget Revenue	\$ 39,865	\$ 40,160	\$ 40,460	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060	\$ 41,060					\$ 325,785
Total Actual Revenue	25,215	26,371	26,888	26,987	27,072	26,862	26,697	26,505					212,597
Variance	\$ (14,650)	\$ (13,789)	\$ (13,572)	\$ (14,073)	\$ (13,988)	\$ (14,198)	\$ (14,363)	\$ (14,555)	\$ -	\$ -	\$ -	\$ -	\$ (113,188)

Analysis of Revenue from Digital Boxes

	January	February	March	April	May	June	July	August	September	October	November	December	Total
<u>Advanced Boxes @ \$11.99</u>													
Budget:													
% of Boxes	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	
# Boxes	3,987	4,016	4,046	4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106	
Rev/Box/Mo.	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	<u>\$ 11.99</u>	
Rev/Month	\$ 47,798	\$ 48,152	\$ 48,512	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 587,540
Actual:													
# Boxes	2,730	2,907	2,962	3,009	3,080	3,147	3,188	3,246					
Total Budget Revenue	\$ 47,798	\$ 48,152	\$ 48,512	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231	\$ 49,231					\$ 390,616
Total Actual Revenue	<u>32,290</u>	<u>34,589</u>	<u>35,661</u>	<u>36,595</u>	<u>37,265</u>	<u>37,918</u>	<u>38,567</u>	<u>38,950</u>					<u>291,835</u>
Variance	\$ (15,508)	\$ (13,563)	\$ (12,851)	\$ (12,636)	\$ (11,966)	\$ (11,313)	\$ (10,664)	\$ (10,281)	\$ -	\$ -	\$ -	\$ -	\$ (98,781)

Analysis of Revenue from Digital Boxes

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Total All Boxes													
Budget:													
Adapters	5,980	6,024	6,069	6,159	6,159	6,159	6,159	6,159					
Standard Boxes	9,966	10,040	10,115	10,265	10,265	10,265	10,265	10,265					
Advanced Boxes	<u>3,987</u>	<u>4,016</u>	<u>4,046</u>	<u>4,106</u>	<u>4,106</u>	<u>4,106</u>	<u>4,106</u>	<u>4,106</u>					
	19,933	20,080	20,230	20,530	20,530	20,530	20,530	20,530					
Actual:													
Adapters	4,975	8,306	8,608	8,618	8,970	9,063	9,199	9,443					
Standard Boxes	6,340	6,694	6,672	6,701	6,670	6,619	6,590	6,583					
Advanced Boxes	<u>2,730</u>	<u>2,907</u>	<u>2,962</u>	<u>3,009</u>	<u>3,080</u>	<u>3,147</u>	<u>3,188</u>	<u>3,246</u>					
	14,045	17,907	18,242	18,328	18,720	18,829	18,977	19,272					
Variance													
Adapters	(1,005)	2,282	2,539	2,459	2,811	2,904	3,040	3,284					
Standard Boxes	(3,626)	(3,346)	(3,443)	(3,564)	(3,595)	(3,646)	(3,675)	(3,682)					
Advanced Boxes	<u>(1,257)</u>	<u>(1,109)</u>	<u>(1,084)</u>	<u>(1,097)</u>	<u>(1,026)</u>	<u>(959)</u>	<u>(918)</u>	<u>(860)</u>					
	(5,888)	(2,173)	(1,988)	(2,202)	(1,810)	(1,701)	(1,553)	(1,258)					
Budget:													
Adapters	\$ 7,475	\$ 7,530	\$ 7,586	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699	\$ 7,699					\$ 61,085
Standard Boxes	39,865	40,160	40,460	41,060	41,060	41,060	41,060	41,060					325,785
Advanced Boxes	<u>47,798</u>	<u>48,152</u>	<u>48,512</u>	<u>49,231</u>	<u>49,231</u>	<u>49,231</u>	<u>49,231</u>	<u>49,231</u>					<u>390,616</u>
	\$ 95,138	\$ 95,842	\$ 96,558	\$ 97,990	\$ 97,990	\$ 97,990	\$ 97,990	\$ 97,990					\$ 777,486
Actual:													
Adapters	\$ 2,969	\$ 10,092	\$ 11,826	\$ 12,181	\$ 12,385	\$ 12,542	\$ 12,617	\$ 12,861					\$ 87,473
Standard Boxes	25,215	26,371	26,888	26,987	27,072	26,862	26,697	26,505					212,597
Advanced Boxes	<u>32,290</u>	<u>34,589</u>	<u>35,661</u>	<u>36,595</u>	<u>37,265</u>	<u>37,918</u>	<u>38,567</u>	<u>38,950</u>					<u>291,835</u>
	\$ 60,474	\$ 71,052	\$ 74,375	\$ 75,763	\$ 76,722	\$ 77,322	\$ 77,881	\$ 78,316					\$ 591,905
Variance													
Adapters	\$ (4,506)	\$ 2,562	\$ 4,240	\$ 4,482	\$ 4,686	\$ 4,843	\$ 4,918	\$ 5,162					\$ 26,388
Standard Boxes	(14,650)	(13,789)	(13,572)	(14,073)	(13,988)	(14,198)	(14,363)	(14,555)					(113,188)
Advanced Boxes	<u>(15,508)</u>	<u>(13,563)</u>	<u>(12,851)</u>	<u>(12,636)</u>	<u>(11,966)</u>	<u>(11,313)</u>	<u>(10,664)</u>	<u>(10,281)</u>					<u>(98,781)</u>
	\$ (34,664)	\$ (24,790)	\$ (22,183)	\$ (22,227)	\$ (21,268)	\$ (20,668)	\$ (20,109)	\$ (19,674)					\$ (185,581)

**Communications Utility
Balance Sheet Review
August 2010**

	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>		
<u>Receivables - Consumer Accounts</u>		
Customer Communications Accounts	\$949,663	\$950,435
Unbilled Revenue	70,175	68,628
Merchandise Accounts	47,144	257,487
Allowance for Doubtful Accounts	(31,838)	(23,745)
	<u>\$1,035,144</u>	<u>\$1,252,805</u>
<u>Inventories</u>		
Inventory	\$291,968	\$308,936
Stores Expense (a/c 163)	7,625	7,131
	<u>\$299,593</u>	<u>\$316,067</u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$18,818	\$18,972
Unamortized Bond Issue Expense (current portion)	5,476	5,476
Prepaid Maintenance Contracts	54,075	82,833
Other Prepaid Expenses	10,762	25,045
	<u>\$89,131</u>	<u>\$132,326</u>
<u>Current Liabilities</u>		
<u>Accounts Payable</u>		
Electric Bills	\$1,453	\$1,397
Argonaut Quality Systems - consulting svc	18,863	—
Arris - digital conversion	—	25,545
Avail-TVN - programming fee	16,306	—
Bancard - travel	918	1,064
BBC-America - programming fee	1,114	993
Big 10 - programming fee	9,438	9,418
Bizco Technologies - software	1,945	—
Bryant Bureau - employment svc	1,059	—
Comcast Sportsnet Chicago - programming fee	18,676	33,978
Consolidated Repair Group - module rpr	1,587	826
Cottingham & Butler - workers comp	995	1,761
Discovery Communications - programming fee	3,460	2,900
Fox Sports Net Midwest - programming fee	16,966	16,097
Fuel Inc - annual report	—	1,935
Galavision - programming fee	1,462	—
General Instrument - upgrade	—	93,945
Giganews - access fee	—	1,073

Harris Corp - mnthly maint	1,764	1,414
Hawkeye Movers - relocation	1,011	—
Henry Russell Bruce - publ svc announ	15,000	—
International Cable Corp - transmitter	—	3,831
Keever Contracting - cable drops	—	1,725
KWQC - publ svc announ	10,060	—
Land Services - directional boring	3,594	—
Lifetime - programming fee	6,447	3,889
Macrovision Corp - programming fee	—	3,994
Midwest Exhibits - graphic removal	—	2,694
Music Choice - license fee	3,035	2,619
Natl Cable TV Coop - license & digital conversion equip	233,729	261,566
National Geographic - programming fee	542	1,238
OP Printing - bill mailing	2,215	—
Power & Tel - parts/MAN upgrade	263,996	—
Quad City Times - publications	1,904	—
Qwest - telephone/access fee	9,941	11,730
RFD TV - programming fee	1,888	—
Rovi Guides - programming fee	4,892	—
Showtime Networks - programming fee	6,384	—
Sycamore Printing - printing	4,057	99
Temp Associates - temp svc	—	1,640
Tower Distribution Company - programming fee	1,389	1,341
TVN Entertainment - license fee	—	12,763
Univision - programming fee	2,412	—
WHBF-TV - programming fee	3,000	2,325
WQAD-TV - programming fee	2,928	2,939
Other	69,328	121,135
	<u>\$743,758</u>	<u>\$627,874</u>

Miscellaneous Accrued Expenses

Sales/Use Tax Collections Payable	\$73,931	\$76,298
Payroll Tax Collections Payable	13,305	11,988
Workers' Comp Self Insurance Reserves	9,662	9,380
	<u>\$96,898</u>	<u>\$97,666</u>