

Muscatine Power and Water
Communications Utility
Operating Statements and Balance Sheets
October 2009

**Muscatine Power and Water
Communications Utility**

Table of Contents

	Page
Statements of Revenues, Expenses, and Changes in Net Deficit.....	1 - 2
Balance Sheets.....	3 - 4
Statements of Cash Flows.....	5 - 6
Summary of Expenses.....	7 - 10
Statistical Data.....	11

Muscatine Power and Water - Communications Utility
Statements of Revenues, Expenses, and Changes in Net Deficit
October 2009

	<u>Current Month</u>				
	<u>Budget Estimate</u>	<u>% Increase (Decrease) From Budget</u>	<u>This Year</u>	<u>% Increase (Decrease) Fr. Last Yr.</u>	<u>Last Year</u>
<u>Operating Revenue</u>					
CATV	\$592,186	(6.7)	\$552,543	0.6	\$549,342
Data/Internet	252,031	6.3	267,840	7.4	249,482
MAN	30,176	(7.8)	27,824	(7.8)	30,176
Miscellaneous	6,851	48.4	10,166	6.9	9,514
	<u>881,244</u>	<u>(2.6)</u>	<u>858,373</u>	<u>2.4</u>	<u>838,514</u>
<u>Operating Expense</u>					
Operation	558,367	1.4	565,998	0.8	561,660
Maintenance	70,719	(2.1)	69,228	6.7	64,876
Depreciation	167,727	1.5	170,268	23.4	137,971
Amortization	64,421	---	64,421	---	64,421
	<u>861,234</u>	<u>1.0</u>	<u>869,915</u>	<u>4.9</u>	<u>828,928</u>
Operating Income (Loss)	<u>20,010</u>	<u>---</u>	<u>(11,542)</u>	<u>---</u>	<u>9,586</u>
<u>Nonoperating Revenue (Expense)</u>					
Interest Income	7,131	(87.8)	870	(85.4)	5,962
Interest Expense	(121,150)	(11.0)	(107,854)	(3.9)	(112,254)
Other	---	---	---	---	---
	<u>(114,019)</u>	<u>(6.2)</u>	<u>(106,984)</u>	<u>0.7</u>	<u>(106,292)</u>
Net Nonoperating Expense	<u>(114,019)</u>	<u>(6.2)</u>	<u>(106,984)</u>	<u>0.7</u>	<u>(106,292)</u>
Net Loss before Capital Contributions	(94,009)	26.1	(118,526)	22.6	(96,706)
Capital Contributions	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Change in Net Deficit	(94,009)		(118,526)		(96,706)
Beginning Net Deficit	(19,303,219)		(19,065,593)		(17,891,966)
Ending Net Deficit	<u>(\$19,397,228)</u>		<u>(\$19,184,119)</u>		<u>(\$17,988,672)</u>
Percent To Total Income	(10.6)		(13.8)		(11.5)
Debt Service Coverage on Bank Debt	15.56		64.41		N/A
Debt Service Coverage on Bank and Electric Utility Debt	2.15		2.09		2.10

Muscatine Power and Water - Communications Utility
Statements of Revenues, Expenses, and Changes in Net Deficit
October 2009

	<u>Calendar Year-to-Date</u>				
	<u>Budget Estimate</u>	<u>% Increase (Decrease) From Budget</u>	<u>This Year</u>	<u>% Increase (Decrease) Fr. Last Yr.</u>	<u>Last Year</u>
<u>Operating Revenue</u>					
CATV	\$5,673,984	(2.4)	\$5,537,003	3.6	\$5,345,397
Data/Internet	2,491,257	3.1	2,569,117	5.0	2,446,109
MAN	301,760	(6.8)	281,353	(6.7)	301,475
Miscellaneous	68,264	9.4	74,668	0.4	74,361
	<u>8,535,265</u>	<u>(0.9)</u>	<u>8,462,141</u>	<u>3.6</u>	<u>8,167,342</u>
<u>Operating Expense</u>					
Operation	5,701,859	(1.1)	5,637,724	7.9	5,224,138
Maintenance	701,054	(0.1)	700,437	13.0	619,916
Depreciation	1,677,276	1.5	1,702,680	23.4	1,379,710
Amortization	644,216	---	644,216	---	644,216
	<u>8,724,405</u>	<u>(0.5)</u>	<u>8,685,057</u>	<u>10.4</u>	<u>7,867,980</u>
Total Operating Expenses					
	<u>8,724,405</u>	<u>(0.5)</u>	<u>8,685,057</u>	<u>10.4</u>	<u>7,867,980</u>
Operating Income (Loss)	<u>(189,140)</u>	<u>17.9</u>	<u>(222,916)</u>	<u>---</u>	<u>299,362</u>
<u>Nonoperating Revenue (Expense)</u>					
Interest Income	93,823	(72.5)	25,783	(56.2)	58,816
Interest Expense	(1,211,498)	(11.0)	(1,078,545)	3.0	(1,047,535)
Other	---	---	---	---	---
	<u>(1,117,675)</u>	<u>(5.8)</u>	<u>(1,052,762)</u>	<u>6.5</u>	<u>(988,719)</u>
Net Nonoperating Expense					
	<u>(1,117,675)</u>	<u>(5.8)</u>	<u>(1,052,762)</u>	<u>6.5</u>	<u>(988,719)</u>
Net Loss before Capital Contributions	<u>(1,306,815)</u>	<u>(2.4)</u>	<u>(1,275,678)</u>	<u>85.1</u>	<u>(689,357)</u>
Capital Contributions	---	---	181,972	---	---
	<u>(1,306,815)</u>		<u>(1,093,706)</u>		<u>(689,357)</u>
Change in Net Deficit					
	<u>(1,306,815)</u>		<u>(1,093,706)</u>		<u>(689,357)</u>
Beginning Net Deficit	<u>(18,090,413)</u>		<u>(18,090,413)</u>		<u>(17,299,315)</u>
Ending Net Deficit	<u>(\$19,397,228)</u>		<u>(\$19,184,119)</u>		<u>(\$17,988,672)</u>
Percent To Total Income	(15.1)		(15.0)		(8.4)
Debt Service Coverage on Bank Debt	13.36		61.81		N/A
Debt Service Coverage on Bank and Electric Utility Debt	1.85		2.00		2.29

Muscatine Power and Water - Communications Utility
Balance Sheets
October 2009

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets:		
<u>Restricted</u>		
Cash - interest bearing	---	---
Total Restricted Current Assets	---	---
<u>Unrestricted</u>		
Cash - interest bearing	1,652,931	414,143
Investments	787,000	1,944,964
Receivables:		
Consumer Accounts	934,412	847,293
Interest	4,591	24,994
Intercompanies	---	2,812
Inventories	298,860	280,568
Prepaid Pension	---	20,862
Prepaid Expenses	98,834	119,281
Total Unrestricted Current Assets	3,776,628	3,654,917
Total Current Assets	3,776,628	3,654,917
Property and Equipment:		
At Cost	28,972,823	27,362,686
Less Accumulated Depreciation	16,666,486	15,224,301
Net Property and Equipment	12,306,337	12,138,385
Other Assets:		
Unamortized Cost of Issuing Debt	28,296	---
Total Other Assets	28,296	---
Intangible Assets:		
Intangible Assets - Less Accumulated Amortization of \$5,706,934 in 2009 and \$4,933,875 in 2008	2,448,253	3,221,312
TOTAL ASSETS	<u>\$18,559,514</u>	<u>\$19,014,614</u>

Muscatine Power and Water - Communications Utility
Balance Sheets
October 2009

LIABILITIES AND NET DEFICIT

	<u>2009</u>	<u>2008</u>
Current Liabilities:		
<u>Restricted</u>		
Accrued Interest	\$13,912	---
Total Restricted Current Liabilities	13,912	---
<u>Unrestricted</u>		
Accrued Interest	415,680	424,015
Accounts Payable	391,542	738,777
Pension Provision	157,136	---
Health & Dental Insurance Provision	34,580	33,460
Intercompanies	9,018	---
Retained Percentage on Contracts	---	22
Accrued Payroll	84,719	84,626
Accrued Vacation	105,792	101,317
Accrued Property Taxes	20,627	16,506
Miscellaneous Accrued Expenses	68,369	97,784
Total Unrestricted Current Liabilities	1,287,463	1,496,507
Total Current Liabilities	1,301,375	1,496,507
Non-Current Liabilities:		
Health & Dental Insurance Provision	227,258	179,779
Notes Payable:		
Banks	888,000	---
Electric Utility	35,327,000	35,327,000
Total Non-Current Liabilities	36,442,258	35,506,779
Net Deficit:		
Invested in capital assets, net of related debt	(21,426,638)	(19,967,303)
Restricted	---	---
Unrestricted	2,242,519	1,978,631
Total Net Deficit	(19,184,119)	(17,988,672)
TOTAL LIABILITIES AND NET DEFICIT	<u>\$18,559,514</u>	<u>\$19,014,614</u>

Muscatine Power and Water - Communications Utility
Statements of Cash Flows
October 2009

	<u>Current</u> <u>Month</u>	<u>Year-</u> <u>To-Date</u>
Cash flows from operating activities:		
Cash received from:		
Communications sales	\$1,014,557	\$8,090,597
Advertising sales	17,751	186,841
Sale of digital converters	---	102,204
Miscellaneous sources	82,600	343,381
FEMA	---	7,097
Cash paid to/for:		
Suppliers	(510,264)	(3,995,618)
Employees payroll, taxes and benefits	(228,970)	(2,304,448)
	<hr/>	<hr/>
Net cash flows from operating activities	375,674	2,327,850
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Capital expenditures, net	(127,462)	(1,971,820)
Loan interest payments	---	(1,269,651)
	<hr/>	<hr/>
Net cash flows from capital and related financing activities	(127,462)	(3,241,471)
	<hr/>	<hr/>
Cash flows from investing activities:		
Interest received on investments	234	50,252
	<hr/>	<hr/>
Net cash flows from investing activities	234	50,252
	<hr/>	<hr/>
Net increase (decrease) in cash and investments	248,446	(863,369)
	<hr/>	<hr/>
Cash and investments at beginning of period	2,191,485	3,303,300
	<hr/>	<hr/>
Cash and investments at end of period	\$2,439,931	\$2,439,931
	<hr/> <hr/>	<hr/> <hr/>

Muscatine Power and Water - Communications Utility
Statements of Cash Flows
October 2009

	<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	(\$11,542)	(\$222,916)
Noncash items in operating income:		
Converter/modem write-off	858	42,418
Depreciation of utility plant	170,268	1,702,680
Amortization of intangible assets	64,421	644,216
Changes in assets and liabilities:		
Consumer accounts receivable	258,347	44,613
Inventories	15,767	3,014
Prepaid and deferred expenses	23,779	(25,326)
Accounts payable	(120,043)	(57,340)
Pension provision	15,713	157,136
Health & dental insurance provision	(3,110)	30,828
Intercompany payable	4,570	20,574
Retained percentage on contracts	---	(22)
Accrued payroll	16,431	60,309
Accrued vacation	1,486	10,007
Accrued property taxes	2,084	(11,179)
Miscellaneous accrued expenses	(63,355)	(71,162)
Net cash flows from operating activities	<u>\$375,674</u>	<u>\$2,327,850</u>

Muscatine Power and Water - Communications Utility
Summary of Expenses
Current Month - October 2009

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>CATV</u>			
Program Acquisition Expense	\$255,715	\$270,902	\$248,796
Promotional Expense	3,958	13,542	132
Electricity Expense	2,083	2,100	2,077
Pole Attachment Expense	2,167	2,036	2,010
Changes of Service	1,169	866	1,877
Underground Line Expense	2,508	2,994	2,170
Ad Insertion - Marketing/Production	9,727	6,511	8,079
Miscellaneous CATV Expense	8,224	15,089	24,554
Vehicle Expense	5,140	3,501	7,381
Maintenance:			
Fiber	1,146	33	(169)
Coax	3,622	1,450	65
Drops	4,262	2,064	2,123
Conduit System	507	314	1,197
Headend	12,567	19,119	15,947
Line Equipment	4,597	1,646	2,854
Converters	3,588	7,101	4,407
Ad Insertion	3,867	3,146	1,482
Vacation, Holiday , Sick Leave	3,501	3,483	3,154
Property Taxes	1,867	1,373	1,372
Depreciation	121,574	125,665	92,015
Amortization	48,316	48,316	48,316
Total CATV	500,105	531,251	469,839
<u>Data/Internet</u>			
Data/Internet Access Charges	31,321	17,646	20,560
Promotional Expense	1,458	12,677	100
Electricity Expense	71	72	71
Pole Attachment Expense	75	71	70
Changes of Service	501	371	804
Customer Wireless Equipment Expense	1,170	(334)	254
Underground Line Expense	86	102	74
Miscellaneous Data/Internet Expense	7,733	8,876	17,130
Vehicle Expense	618	420	900
Maintenance:			
Fiber	40	1	(5)
Coax	124	50	149
Drops	145	70	72
Conduit System	18	11	42
Headend	21,999	19,103	24,808
Line Equipment	157	56	97
Modems	3,487	5,602	3,693
Vacation, Holiday, Sick Leave	3,029	3,753	2,977
Property Taxes	65	48	48
Depreciation	23,674	22,188	23,508
Amortization	16,105	16,105	16,105
Total Data/Internet	\$111,876	\$106,888	\$111,457

Muscatine Power and Water - Communications Utility
Summary of Expenses
Year-to-Date - October 2009

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>CATV</u>			
Program Acquisition Expense	\$2,579,505	\$2,672,443	\$2,465,022
Promotional Expense	39,583	87,819	1,108
Electricity Expense	20,833	21,158	20,841
Pole Attachment Expense	21,667	20,360	20,100
Changes of Service	11,453	10,920	14,202
Underground Line Expense	24,993	23,818	19,007
Ad Insertion - Marketing/Production	79,003	57,541	78,574
Miscellaneous CATV Expense	82,639	124,903	119,720
Vehicle Expense	56,730	43,266	55,040
Maintenance:			
Fiber	11,273	4,099	9,796
Coax	35,349	25,240	31,807
Drops	41,782	39,719	25,008
Conduit System	4,968	2,555	6,774
Headend	123,653	193,365	126,972
Line Equipment	46,238	24,383	31,904
Converters	35,130	69,243	38,490
Ad Insertion	38,319	32,786	42,083
Vacation, Holiday, Sick Leave	44,028	42,886	38,971
Property Taxes	18,671	11,810	13,722
Depreciation	1,215,738	1,256,650	920,150
Amortization	483,162	483,162	483,162
Total CATV	5,014,717	5,248,126	4,562,453
<u>Data/Internet</u>			
Data/Internet Access Charges	300,531	269,087	217,938
Promotional Expense	14,583	47,509	620
Electricity Expense	708	722	665
Pole Attachment Expense	750	710	700
Changes of Service	4,909	4,680	6,086
Customer Wireless Equipment Expense	11,555	5,153	6,144
Underground Line Expense	853	813	649
Miscellaneous Data/Internet Expense	76,452	78,125	85,157
Vehicle Expense	6,183	5,271	6,902
Maintenance:			
Fiber	394	118	342
Coax	1,206	851	1,028
Drops	1,426	1,354	878
Conduit System	173	89	236
Headend	216,999	175,851	165,161
Line Equipment	1,578	823	1,538
Modems	34,066	42,969	44,208
Vacation, Holiday, Sick Leave	37,424	44,902	33,976
Property Taxes	649	411	479
Depreciation	236,743	221,880	235,080
Amortization	161,054	161,054	161,054
Total Data/Internet	\$1,108,236	\$1,062,372	\$968,841

Muscatine Power and Water - Communications Utility
Summary of Expenses
Current Month - October 2009

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>MAN</u>			
Pole Attachment Expense	\$1,042	\$983	\$970
Tools Expense	---	1,826	135
Maintenance:			
Fiber	553	16	(63)
Conduit System	245	152	577
MAN Equipment	6,963	4,764	4,712
Vacation, Holiday, Sick Leave	80	89	89
Property Taxes	901	663	662
Depreciation	13,035	12,974	13,723
Total MAN	22,819	21,467	20,805
<u>Customer Service Expense</u>			
Customer Information Expense	19,796	6,552	4,131
<u>Consumer Accounts</u>			
Supervision	2,370	2,903	2,882
Consumer Records and Collections	36,854	38,666	34,456
Uncollectible Accounts Expense	250	250	342
Vacation, Holiday, Sick Leave	3,008	3,739	4,332
Total Consumer Accounts	42,482	45,558	42,012
<u>Administrative and General</u>			
Administrative and General Salaries	50,882	52,155	53,069
Office Supplies and Expense	5,044	4,057	4,630
Outside Services Employed	5,899	5,087	9,099
Property Insurance	833	854	697
Casualty Ins, Injuries & Damages	4,486	3,892	13,475
Employee Pensions and Benefits	62,680	61,583	61,612
Fringe Benefits Charges to Construction	(4,510)	(5,264)	(5,222)
Rents	8,649	8,649	7,278
Miscellaneous General Expense	11,817	6,446	18,882
Maintenance of General Plant	2,832	4,530	2,888
Vacation, Holiday, Sick Leave	6,100	6,769	5,551
Depreciation	9,444	9,441	8,725
Total Administrative and General	164,156	158,199	180,684
Total Operating Expenses	\$861,234	\$869,915	\$828,928

Muscatine Power and Water - Communications Utility
Summary of Expenses
Year-to-Date - October 2009

	<u>Budget Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>MAN</u>			
Pole Attachment Expense	\$10,417	\$9,830	\$9,700
Tools Expense	---	2,682	1,318
Maintenance:			
Fiber	5,440	1,628	4,722
Conduit System	2,398	1,233	3,269
MAN Equipment	69,524	48,415	54,510
Vacation, Holiday, Sick Leave	1,202	1,188	1,102
Property Taxes	9,011	5,701	6,622
Depreciation	130,355	129,740	137,230
Total MAN	228,347	200,417	218,473
<u>Customer Service Expense</u>			
Customer Information Expense	230,499	118,147	67,113
<u>Consumer Accounts</u>			
Supervision	23,019	24,972	25,184
Consumer Records and Collections	362,743	366,920	322,376
Uncollectible Accounts Expense	2,500	2,500	3,417
Vacation, Holiday, Sick Leave	37,698	38,438	39,519
Total Consumer Accounts	425,960	432,830	390,496
<u>Administrative and General</u>			
Administrative and General Salaries	502,931	494,580	532,344
Office Supplies and Expense	52,299	41,923	42,086
Outside Services Employed	86,794	63,746	55,777
Property Insurance	7,924	8,070	6,924
Casualty Ins, Injuries & Damages	44,799	50,030	54,596
Employee Pensions and Benefits	633,413	651,315	627,928
Fringe Benefits Charges to Construction	(44,159)	(50,140)	(46,222)
Rents	86,490	86,490	72,780
Miscellaneous General Expense	146,216	73,793	117,827
Maintenance of General Plant	31,138	35,716	31,190
Vacation, Holiday, Sick Leave	74,361	73,232	78,124
Depreciation	94,440	94,410	87,250
Total Administrative and General	1,716,646	1,623,165	1,660,604
Total Operating Expenses	\$8,724,405	\$8,685,057	\$7,867,980

Muscatine Power and Water - Communications Utility
Statistical Data
October 2009

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<u>Services</u>			
<u>CATV</u>			
Residential	7,978	7,672	7,960
Commercial	171	169	172
Bulk	16	26	16
	<u>16</u>	<u>26</u>	<u>16</u>
Total CATV	<u>8,165</u>	<u>7,867</u>	<u>8,148</u>
 <u>Internet</u>			
Residential	5,791	6,067	5,823
Commercial	523	513	524
	<u>523</u>	<u>513</u>	<u>524</u>
Total Internet	<u>6,314</u>	<u>6,580</u>	<u>6,347</u>
 <u>MAN</u>	<u>16</u>	<u>16</u>	<u>17</u>

Communications Utility
Review of Operating Results
October 2009

MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY
REVIEW OF YEAR-TO-DATE OPERATING RESULTS - OCTOBER 31, 2009
(Analysis of Financial Statements - Page 2)

		Increase (Decrease) to Budgeted Net Deficit
Operating Revenue		
CATV Revenue	\$ (142,989)	Advertising revenue lower than projected
	56,672	Pay-per-view and video-on-demand buys greater than budgeted, due to higher buy rates and more digital boxes deployed
	20,687	Sale of obsolete digital converters
	<u>(71,351)</u>	Other miscellaneous variances - net, primarily due to fewer subscribers
	<u>(136,981)</u>	
Data/Internet Revenue	72,084	Higher residential cable modem revenues due to more subscribers
	<u>5,776</u>	Other miscellaneous variances - net
	<u>77,860</u>	
MAN	<u>(20,407)</u>	Lower revenue primarily due to reduction in services by two customers (Hon/Bandag)
Miscellaneous Revenue	<u>6,404</u>	Miscellaneous variances - net
Operating Expense		
Operation	61,483	Digital conversion promotional expenses are lower than budgeted
	25,675	Travel expenses lower than expected
	20,000	Communications Utility anniversary expenses will not be spent
	16,781	Postage less than budgeted
	17,993	Ad sales insertion commissions lower than budgeted
	10,773	Customer survey is not being done this year
	10,000	Customer service training will not be done this year
	11,595	Fuel expense is lower than budgeted
	8,800	Security audit will not be completed this year
	(7,664)	Temp labor for Direct Sales Representatives greater than budget
	(6,258)	Organization study expenditures are in excess of budget
	(64,052)	Customer promotion programs not budgeted
	11,400	ROC training will not take place this year
	(25,419)	Pension expense higher than budgeted
	(30,079)	Write-off of non-repairable digital boxes greater than budget
	<u>3,107</u>	Other miscellaneous variances - net
	<u>64,135</u>	
Maintenance	14,372	Lower labor costs for maintenance of CATV fiber and coax
	(69,712)	More labor incurred due to new digital headend equipment; higher materials expense
	21,855	Materials budgeted to repair amps, power supplies and other line equipment were not needed; labor is also under budget
	(30,289)	Labor to repair converters in customers' homes is in excess of budget
	5,533	Lower maintenance of ad insertion equipment
	40,888	Internet headend maintenance agreements are under budget, in addition to labor being under budget due to more time being spent on CATV headend
	(8,903)	Higher cost for maintenance of modems
	20,609	MAN maintenance agreements are under budget, in addition to labor being under budget
	<u>6,264</u>	Other miscellaneous variances - net
	<u>617</u>	
Depreciation	<u>(25,404)</u>	Depreciation is greater than budgeted due to more fixed assets purchases in 2008
Nonoperating Revenue (Expense)		
Interest Income	<u>(68,040)</u>	Lower cash and investment balances due to borrowing \$888,000 versus \$4,000,000 budgeted, plus realizing a lower rate of return
Interest Expense	<u>132,953</u>	Loan is \$888,000 at 4.7%/year; budget assumed \$4,000,000 at 5.0%/year interest
Net Loss before Capital Contributions	31,137	Decrease in Budgeted Net Deficit
Capital Contributions	<u>181,972</u>	Billing to WTC and Mediapolis for their share of Digital Conversion Project
Change in Net Deficit	<u>\$ 213,109</u>	Total Decrease in Budgeted Net Deficit

Statement of Revenues, Expenses and Changes in Net Deficit

Operating Revenues

CATV

Advertising revenue is lower than projected by \$142,989. Pay-per-view and video-on-demand revenues are greater than budgeted by \$56,672 due to higher buy rates and more digital boxes deployed; all other sources of CATV revenue are lower than the budget by \$50,664 through October, due to fewer than budgeted subscribers. Sale of obsolete digital converters totals \$20,687 year-to-date, which was not budgeted.

Internet Revenue

Residential cable modem revenues are greater than budgeted by \$72,084 due to more subscribers than budgeted.

Non-Operating Revenue (Expense)

Interest Income

Interest income is \$68,040 less than the budget due to lower cash and investment balances and due to a lower rate of return. Beginning of year cash balances were lower due to borrowing only a portion of the funds needed to fund the digital transition project. Interest income is lower than last year, due to earning a much lower rate of return in the current year.

Interest Expense

Interest expense is lower due to borrowing only a portion of the funds needed to fund the digital transition project. The original loan had been projected for \$4,000,000 in 2008. Only \$888,000 was borrowed and at a rate of 4.7% versus the budgeted rate of 5%.

Capital Contributions

In August, WTC and Mediapolis were billed \$180,472 for their shares of the digital conversion project.

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. Self insuring of dental care claims began in 2009.

Year-To-Date Summary of Expenses

CATV

Program Acquisition Expense

Programming is higher than last year due to an 8.5% increase in programming costs per subscriber, partially due to higher broadcast channel costs and new channels offered.

Promotional Expense

Current year expense is higher than last year due to two Direct Sales Representatives hired as temporary labor to promote cable services; this was budgeted at a \$5,748 lower cost. In addition, customer promotional programs for a free set-top box rental, plus discounts and expenses for adding additional services has incurred \$33,367 of expense which was not budgeted.

Ad Insertion – Marketing/Production

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

Miscellaneous CATV Expense

Labor for the CATV techs is less than last year by \$14,066, due to labor being charged to other accounts. There was a \$7,412 stores inventory count adjustment credit in the current year as opposed to a \$7,274 count adjustment expense last year. Write-off of non-repairable/sold digital boxes totals \$36,807 year-to-date; only \$6,728 was budgeted.

Vehicle Expense

Fuel expense is lower than budget by \$11,595 and lower than last year by \$12,486.

Maintenance of Drops

Labor is higher than last year by \$3,278. Materials are also higher than last year by \$11,433.

Maintenance of Headend

Labor is over budget by \$43,378 and higher than last year by \$38,725 due to extra work required on the digital headend equipment. Materials expense is \$26,334 higher than budget.

Maintenance of Line Equipment

Labor is under budget by \$11,564 and materials are under budget \$10,291.

Maintenance of Converters

Labor is over budget due to work by CATV techs to repair converters in customers' homes by \$30,289; total labor is also greater than last year by \$27,564.

Maintenance of Ad Insertion

Maintenance agreements are less than budget by \$9,109; labor expense is \$3,600 higher than budget. Labor and maintenance agreements are less than last year by \$5,792 and \$3,426, respectively.

Property Taxes

A change in assessed valuations resulted in \$6,861 lower expense year-to-date.

CATV (cont'd)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/InternetData/Internet Access Charges

Current year expense is higher than last year due to additional bandwidth acquired. The budget reflects additional bandwidth being purchased, which has already occurred at a lower price.

Promotional Expense

Current year expense is higher than last year due to two Direct Sales Representatives hired as temporary labor to promote internet services, plus discounts and expenses for adding or upgrading to Machlink Turbo service.

Customer Wireless Equipment Expense

There is a negative expense in October due to a customer billing for installation; the parts for the installation were expensed in a prior month.

Maintenance of Headend

Labor and maintenance agreements are less than budget by \$15,054 and \$25,834, respectively. Current year labor is greater than last year by \$21,326.

Vacation, Holiday, Sick Leave

Current year expense is over budget due to an extended medical leave of absence in the data technicians' area.

Depreciation

Depreciation is lower than budget due to fewer modems purchased in 2008 than expected. Depreciation is lower than last year due to headend equipment reaching the end of its useful life.

MANMaintenance of Man Equipment

	2009	2009	2008
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Labor	\$6,524	\$ 1,935	\$ 6,891
Maintenance agreements	62,500	46,480	47,486
Other materials	<u>500</u>	<u>-</u>	<u>133</u>
	<u>\$69,524</u>	<u>\$48,415</u>	<u>\$54,510</u>

Property Taxes

A change in assessed valuations resulted in a \$3,310 lower expense year-to-date.

Customer Service ExpenseCustomer Information Expense

	2009	2009	2008
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Promotion Materials	\$63,528	\$37,370	\$18,755
Postage	18,890	2,109	5,299
Calendar	3,914	---	---
Customer Survey	10,773	---	10,819
Digital Conversion Promotion	83,330	21,847	---
Media Advertising	40,258	44,194	21,094
Other expenses	<u>9,805</u>	<u>12,466</u>	<u>11,146</u>
	<u>\$230,498</u>	<u>\$117,986</u>	<u>\$67,113</u>

The customer survey will not be done this year.

Consumer AccountsConsumer Records and Collections

Salaries in the Customer Service department are higher than last year due to full staffing levels and due to a temporary labor position to accommodate higher customer volume due to the digital conversion.

Administrative & GeneralAdministrative and General Salaries

Salaries in the Communications department were higher last year due to a temporary re-assignment to cover the absence and digital transition project management duties of the Manager of the Communications Department.

Office Supplies and Expense

A membership to the Cable Advertising Bureau has not yet been incurred in the amount of \$2,500. Other office supplies are below budget \$7,876.

Administrative & General (cont'd)Outside Services

A security audit budgeted for \$8,800 will not be done this year.

	2009 <u>Budget</u>	2009 <u>Actual</u>	2008 <u>Actual</u>
Organization Study	\$ 2,199	\$ 8,457	\$ ---
MCC Public Access	41,230	38,783	40,434
Compensation Survey	---	4,378	---
Application Consulting	3,399	83	300
Security Audit	8,800	---	---
ROC training	11,400	---	---
Executive Search Service	---	---	3,839
Audit Fees	4,950	3,068	3,516
Other expenses	<u>14,398</u>	<u>8,977</u>	<u>7,687</u>
	<u>\$86,376</u>	<u>\$63,746</u>	<u>\$55,776</u>

Employee Pensions & Benefits

Pension expense is higher than budget and last year by \$25,419 and \$48,730, respectively.
Health insurance expense is lower than last year by \$22,657.

Miscellaneous General Expense

	2009 <u>Budget</u>	2009 <u>Actual</u>	2008 <u>Actual</u>
Travel	\$ 38,921	\$ 13,246	\$ 31,653
Annual Report	3,630	2,902	5,059
ROC Team Expenses	10,830	2,965	7,865
CSR Training	10,000	---	---
Communications Anniversary Expenses	20,000	---	---
Customer Appreciation Day	---	---	12,154
Other expenses	<u>62,835</u>	<u>54,680</u>	<u>61,096</u>
	<u>\$146,216</u>	<u>\$73,793</u>	<u>\$117,827</u>

CSR training scheduled in April for \$10,000 will not be done this year. Communications Anniversary Expenses budgeted in July for \$20,000 will not be spent.

Vacation, Holiday and Sick Leave

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

**Communications Utility
Balance Sheet Review
October 2009**

	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>		
<u>Receivables - Consumer Accounts</u>		
Customer Communications Accounts	\$851,206	\$802,994
Unbilled Revenue	68,628	—
Merchandise Accounts	39,272	75,803
Allowance for Doubtful Accounts	(24,694)	(31,504)
	<u>\$934,412</u>	<u>\$847,293</u>
<u>Inventories</u>		
Inventory	\$291,802	\$275,296
Stores Expense (a/c 163)	7,058	5,272
	<u>\$298,860</u>	<u>\$280,568</u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$11,412	\$9,513
Unamortized Bond Issue Expense (current portion)	5,476	—
Prepaid Maintenance Contracts	70,659	62,118
Other Prepaid Expenses	11,287	47,650
	<u>\$98,834</u>	<u>\$119,281</u>
<u>Current Liabilities</u>		
<u>Accounts Payable</u>		
Electric Bills	\$1,397	\$1,397
Arin - subscription	2,250	—
Arris - install VOD system	163	233,600
Avail-TVN - programming fee	1,451	—
Bancard - travel	—	3,010
Big 10 - programming fee	9,426	9,614
CDW-G - software/adapters/routers	—	4,788
CNBC - programming fee	—	2,741
Comcast Sportsnet Chicago - programming fee	—	17,515
Cottingham & Butler - workers comp	2,971	1,524
DF Countryman - pedestals	—	2,565
Discovery Communications - programming fee	2,946	3,142
ECS - hard drive	—	12,099
Fox Sports Net Midwest - programming fee	16,031	15,330
Goedken & Creasey - legal svc	466	1,614
Insight - computers	111	8,404
JDS Uniphase Corp - digital svc	—	9,188
Keever Contracting - cable drops	—	1,250
Lenovo - computer	1,961	—
Lifetime - programming fee	3,894	4,576
Little & Assoc - recruiting svc	—	2,937
MSNBC - programming fee	—	1,979
Metro Studios - advertising production	—	13,819
Music Choice - license fee	2,821	2,000

Natl Cable TV Coop - license & digital conversion equip	224,105	280,608
National Geographic - programming fee	1,307	---
Nickless Schirmer - modulator	---	1,170
Pomeroy IT Solutions - fiber/adapters/cable	2,863	27,197
Power & Tel - cable	---	1,950
Qwest - telephone/access fee	10,896	5,508
Rovi Guides - programming fee	4,247	---
Temp Associates - temp svc	2,926	530
Terry-Durin - conduit	---	8,870
Tower Distribution Company - programming fee	1,341	1,334
Tri-City Electric - drops	17,655	---
TV Guide Networks - programming fee	---	3,515
TVN Entertainment - license fee	7,685	7,054
VPL Enterprises - demarcation boxes	1,301	---
Wellmark - health ins	3,806	---
WHBF-TV - programming fee	---	1,080
WQAD-TV - programming fee	2,940	---
Other	64,582	46,869
	<u>\$391,542</u>	<u>\$738,777</u>
<u>Retained Percentage on Contracts</u>		
CDB Utility Contractors - directional boring	---	22
	---	22
<u>Miscellaneous Accrued Expenses</u>		
Sales/Use Tax Collections Payable	\$42,679	\$57,913
Payroll Tax Collections Payable	14,281	14,828
Workers' Comp Self Insurance Reserves	11,409	25,043
	<u>\$68,369</u>	<u>\$97,784</u>