

**Muscatine Power and Water**

**Communications Utility**

**Statement of Revenues, Expenses and Changes in Net Position**

**August 2014**

**Muscatine Power and Water  
Communications Utility**

**Table of Contents**

	Page
Statements of Revenues, Expenses, and Changes in Net Position.....	1-2
Statements of Net Position.....	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 Position**  
**Current Month - August 2014**

	<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>
<b><u>Operating Revenue</u></b>					
CATV	\$619,352	(4.8)	\$589,381	(7.7)	\$638,882
Data/Internet	384,385	3.3	396,906	19.9	330,902
MAN/MME	46,070	(0.8)	45,719	10.2	41,479
Miscellaneous	9,031	68.1	15,178	27.7	11,888
<b>Total Operating Revenues</b>	<b>1,058,838</b>	<b>(1.1)</b>	<b>1,047,184</b>	<b>2.3</b>	<b>1,023,151</b>
<b><u>Operating Expense</u></b>					
Operation	717,672	(9.7)	647,863	(2.3)	662,788
Maintenance	77,247	(6.0)	72,581	(13.8)	84,193
Depreciation	170,609	(3.5)	164,703	(15.6)	195,032
<b>Total Operating Expenses</b>	<b>965,528</b>	<b>(8.3)</b>	<b>885,147</b>	<b>(6.0)</b>	<b>942,013</b>
<b>Operating Income</b>	<b>93,310</b>	<b>73.7</b>	<b>162,037</b>	<b>99.7</b>	<b>81,138</b>
<b><u>Nonoperating Revenue (Expense)</u></b>					
Interest Income	3,972	2.6	4,077	(41.6)	6,982
Interest Expense	(111,910)	---	(111,910)	(3.3)	(115,670)
<b>Net Nonoperating Expense</b>	<b>(107,938)</b>	<b>(0.1)</b>	<b>(107,833)</b>	<b>(0.8)</b>	<b>(108,688)</b>
<b>Net Loss before Capital Contributions</b>	<b>(14,628)</b>	<b>-4.7X</b>	<b>54,204</b>	<b>-3.0X</b>	<b>(27,550)</b>
<b>Capital Contributions</b>	<b>---</b>		<b>1,601</b>	<b>1.1X</b>	<b>771</b>
<b>Change in Net Position</b>	<b>(\$14,628)</b>		<b>\$55,805</b>		<b>(\$26,779)</b>
<b>Beginning Net Position</b>	<b>(23,669,168)</b>		<b>(23,311,743)</b>		<b>(23,645,484)</b>
<b>Ending Net Position</b>	<b>(\$23,683,796)</b>		<b>(\$23,255,938)</b>		<b>(\$23,672,263)</b>
<b>Net Loss to Operating Revenue</b>	<b>(1.4)</b>		<b>5.2</b>		<b>(2.7)</b>
<b>Debt Service Coverage on Bank Debt</b>	<b>2.92</b>		<b>3.61</b>		<b>3.09</b>
<b>Debt Service Coverage on Electric Utility Debt</b>	<b>1.70</b>		<b>2.30</b>		<b>1.84</b>

**Muscatine Power and Water - Communications Utility**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Calendar Year-to-Date - August 2014**

	<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>
<b><u>Operating Revenue</u></b>					
CATV	\$4,945,649	(1.7)	\$4,862,171	(5.9)	\$5,167,138
Data/Internet	3,055,006	2.5	3,131,104	19.7	2,616,059
MAN/MME	386,225	(8.9)	351,809	9.3	321,799
Miscellaneous	73,120	31.0	95,801	18.4	80,880
<b>Total Operating Revenues</b>	<b>8,460,000</b>	<b>(0.2)</b>	<b>8,440,885</b>	<b>3.1</b>	<b>8,185,876</b>
<b><u>Operating Expense</u></b>					
Operation	5,703,139	(7.0)	5,306,473	(1.4)	5,379,926
Maintenance	609,543	3.3	629,542	10.7	568,877
Depreciation	1,364,874	(3.5)	1,317,624	(15.6)	1,560,256
<b>Total Operating Expenses</b>	<b>7,677,556</b>	<b>(5.5)</b>	<b>7,253,639</b>	<b>(3.4)</b>	<b>7,509,059</b>
<b>Operating Income</b>	<b>782,444</b>	<b>51.7</b>	<b>1,187,246</b>	<b>75.4</b>	<b>676,817</b>
<b><u>Nonoperating Revenue (Expense)</u></b>					
Interest Income	32,594	(3.7)	31,380	(42.5)	54,542
Interest Expense	(895,280)	---	(895,282)	(3.3)	(925,362)
<b>Net Nonoperating Expense</b>	<b>(862,686)</b>	<b>0.1</b>	<b>(863,902)</b>	<b>(0.8)</b>	<b>(870,820)</b>
<b>Net Loss before Capital Contributions</b>	<b>(80,242)</b>	<b>-5.0X</b>	<b>323,344</b>	<b>-2.7X</b>	<b>(194,003)</b>
<b>Capital Contributions</b>	<b>---</b>		<b>24,272</b>	<b>3.1X</b>	<b>5,934</b>
<b>Change in Net Position</b>	<b>(80,242)</b>		<b>347,616</b>		<b>(188,069)</b>
<b>Beginning Net Position</b>	<b>(23,603,554)</b>		<b>(23,603,554)</b>		<b>(23,484,194)</b>
<b>Ending Net Position</b>	<b>(\$23,683,796)</b>		<b>(\$23,255,938)</b>		<b>(\$23,672,263)</b>
<b>Net Loss to Operating Revenue</b>	<b>(1.0)</b>		<b>3.8</b>		<b>(2.4)</b>
<b>Debt Service Coverage on Bank Debt</b>	<b>2.97</b>		<b>3.46</b>		<b>3.12</b>
<b>Debt Service Coverage on Electric Utility Debt</b>	<b>1.74</b>		<b>2.17</b>		<b>1.87</b>

**Muscatine Power and Water - Communications Utility**  
**Statements of Net Position**  
**August 2014**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>Current Assets:</b>		
<u>Restricted</u>		
Cash - interest bearing	\$27	\$20
Total Restricted Current Assets	27	20
<u>Unrestricted</u>		
Cash - interest bearing	3,588,535	1,736,466
Investments	2,152,000	3,612,091
Receivables:		
Consumer Accounts	1,222,241	1,171,954
Interest	29,735	53,058
Inventories	221,596	293,816
Prepaid Expenses	123,076	123,133
Total Unrestricted Current Assets	7,337,183	6,990,518
Total Current Assets	7,337,210	6,990,538
<b>Property and Equipment:</b>		
At Cost	32,683,776	32,119,411
Less Accumulated Depreciation	24,110,759	22,681,003
Net Property and Equipment	8,573,017	9,438,408
<b>TOTAL ASSETS</b>	<u><u>\$15,910,227</u></u>	<u><u>\$16,428,946</u></u>

**Muscatine Power and Water - Communications Utility**  
**Statements of Net Position**  
**August 2014**

**LIABILITIES AND NET POSITION**

	<u>2014</u>	<u>2013</u>
<b>Current Liabilities:</b>		
<u>Restricted</u>		
Notes Payable - Banks	\$1,005,000	\$960,000
Accrued Interest	15,980	23,500
	<hr/>	<hr/>
Total Restricted Current Liabilities	1,020,980	983,500
	<hr/>	<hr/>
<u>Unrestricted</u>		
Accrued Interest	207,840	207,840
Accounts Payable	417,061	436,823
Pension Provision	145,718	30,549
Health & Dental Insurance Provision	37,700	30,858
Accrued Payroll	101,815	96,096
Accrued Vacation	145,051	144,630
Accrued Property Taxes	15,068	18,116
Unearned Revenue - Dark Fiber Lease	17,500	17,500
Miscellaneous Accrued Expenses	95,985	122,714
	<hr/>	<hr/>
Total Unrestricted Current Liabilities	1,183,738	1,105,126
	<hr/>	<hr/>
Total Current Liabilities	2,204,718	2,088,626
	<hr/>	<hr/>
<b>Non-Current Liabilities:</b>		
Health & Dental Insurance Provision	263,500	321,285
Post-Employment Health Benefit Provision	65,634	36,485
Unearned Revenue - Dark Fiber Lease	270,313	287,813
Notes Payable:		
Banks	1,035,000	2,040,000
Electric Utility	35,327,000	35,327,000
	<hr/>	<hr/>
Total Non-Current Liabilities	36,961,447	38,012,583
	<hr/>	<hr/>
<b>Net Position:</b>		
Net Investment in Capital Assets	6,533,017	6,438,408
Unrestricted	(29,788,955)	(30,110,671)
	<hr/>	<hr/>
Total Net Position	(23,255,938)	(23,672,263)
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$15,910,227</u>	<u>\$16,428,946</u>

**Muscatine Power and Water - Communications Utility**  
**Statements of Cash Flows**  
**August 2014**

	<u>Current Month</u>	<u>Year- To-Date</u>
<b>Cash flows from operating activities:</b>		
Cash received from:		
Communications sales	\$946,364	\$8,089,132
Advertising sales	30,992	246,108
Miscellaneous sources	11,821	110,909
Cash paid to/for:		
Suppliers	(378,174)	(3,550,003)
Employees payroll, taxes and benefits	(313,758)	(2,236,340)
	<u>297,245</u>	<u>2,659,806</u>
<b>Net cash flows from operating activities</b>		
<b>Cash flows from capital and related financing activities:</b>		
Capital expenditures, net	(62,503)	(908,788)
Loan principal payments	---	(960,000)
Loan interest payments	---	(1,365,484)
	<u>(62,503)</u>	<u>(3,234,272)</u>
<b>Net cash flows from capital and related financing activities</b>		
<b>Cash flows from investing activities:</b>		
Interest received on investments	167	81,472
Amortization/accretion of investments	---	(71)
Mark to Market	---	---
	<u>167</u>	<u>81,401</u>
<b>Net cash flows from investing activities</b>		
<b>Net increase (decrease) in cash and investments</b>		
	<u>234,909</u>	<u>(493,065)</u>
<b>Cash and investments at beginning of period</b>		
	<u>5,505,653</u>	<u>6,233,627</u>
<b>Cash and investments at end of period</b>		
	<u><u>\$5,740,562</u></u>	<u><u>\$5,740,562</u></u>

**Muscatine Power and Water - Communications Utility**  
**Statements of Cash Flows**  
**August 2014**

	<u>Current Month</u>	<u>Year- To-Date</u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$162,037	\$1,187,246
Noncash items in operating income:		
Converter/modem write-off	7,173	13,573
Depreciation of utility plant	164,703	1,317,624
Changes in assets and liabilities:		
Consumer accounts receivable	(68,265)	85,018
Inventories	3,958	65,348
Prepaid and deferred expenses	25,445	(60,689)
Accounts payable	17,699	(33,216)
Pension provision	(48,175)	145,718
Health & dental insurance provision	3,063	(28,819)
Other post-employment benefit provision	1,354	10,833
Unearned revenue	(1,458)	(11,666)
Intercompany payable	(553)	---
Accrued payroll	17,238	30,631
Accrued vacation	(2,408)	807
Accrued property taxes	1,113	2,740
Miscellaneous accrued expenses	14,321	(65,342)
	<u>          </u>	<u>          </u>
Net cash flows from operating activities	<u>\$297,245</u>	<u>\$2,659,806</u>

**Muscatine Power and Water - Communications Utility**  
**Summary of Expenses**  
**Current Month - August 2014**

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<b><u>CATV</u></b>			
Program Acquisition Expense	\$365,660	\$313,381	\$335,426
Promotional Expense	888	625	702
Electricity Expense	2,667	2,630	2,423
Pole Attachment Expense	2,292	2,292	2,250
Changes of Service	1,417	1,546	1,485
Underground Line Expense	2,598	2,922	3,008
Ad Insertion - Marketing/Production	6,656	7,392	5,663
Miscellaneous CATV Expense	14,193	18,778	16,394
Vehicle Expense	5,928	4,683	4,486
Maintenance:			
Fiber	783	620	1,192
Coax	2,419	632	745
Drops	2,225	1,397	4,953
Conduit System	835	1,706	1,694
Headend	23,363	19,067	25,004
Line Equipment	4,310	3,912	10,344
Converters	6,264	3,657	5,488
Ad Insertion	3,985	4,276	3,352
Vacation, Holiday, Sick Leave	3,959	3,747	6,928
Property Taxes	733	733	316
Depreciation	116,212	111,937	144,995
<b>Total CATV</b>	<b>567,387</b>	<b>505,933</b>	<b>576,848</b>
<b><u>Data/Internet</u></b>			
Data/Internet Access Charges	33,608	25,779	24,964
Promotional Expense	888	651	655
Electricity Expense	100	90	86
Pole Attachment Expense	83	83	83
Changes of Service	71	662	2,010
Customer Wireless Equipment Expense	268	27	---
Underground Line Expense	89	100	103
Miscellaneous Data/Internet Expense	2,387	3,656	13,113
Vehicle Expense	836	569	546
Maintenance:			
Fiber	27	22	42
Coax	82	22	25
Drops	76	48	169
Conduit System	29	60	59
Headend	15,337	22,601	20,748
Line Equipment	144	133	353
Modems	4,853	4,731	5,039
Vacation, Holiday, Sick Leave	1,853	1,278	1,695
Property Taxes	26	26	11
Depreciation	24,382	23,680	20,798
<b>Total Data/Internet</b>	<b>\$85,139</b>	<b>\$84,218</b>	<b>90,499</b>

**Muscatine Power and Water - Communications Utility**  
**Summary of Expenses**  
**Calendar Year-to-Date - August 2014**

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<b>CATV</b>			
Program Acquisition Expense	\$2,921,201	\$2,687,978	\$2,801,009
Promotional Expense	7,101	4,427	5,328
Electricity Expense	21,333	20,183	19,613
Pole Attachment Expense	18,333	18,333	18,000
Changes of Service	10,765	11,027	9,369
Underground Line Expense	20,563	18,683	17,044
Ad Insertion - Marketing/Production	52,749	50,077	44,529
Miscellaneous CATV Expense	109,267	86,868	147,683
Vehicle Expense	47,835	43,729	43,585
Maintenance:			
Fiber	5,746	9,493	4,981
Coax	18,639	10,533	6,783
Drops	17,268	13,297	19,363
Conduit System	6,182	10,596	8,100
Headend	186,118	155,369	152,995
Line Equipment	32,958	36,133	38,501
Converters	48,913	31,838	44,185
Ad Insertion	31,872	34,606	27,501
Vacation, Holiday, Sick Leave	39,115	36,271	58,875
Property Taxes	5,868	5,868	7,536
Depreciation	929,695	895,496	1,159,960
<b>Total CATV</b>	<b>4,531,521</b>	<b>4,180,805</b>	<b>4,634,940</b>
<b>Data/Internet</b>			
Data/Internet Access Charges	250,864	207,174	202,540
Promotional Expense	7,101	4,614	5,094
Electricity Expense	800	689	673
Pole Attachment Expense	667	667	667
Changes of Service	552	4,726	5,389
Customer Wireless Equipment Expense	2,098	230	8,979
Underground Line Expense	702	637	582
Miscellaneous Data/Internet Expense	18,740	20,982	81,931
Vehicle Expense	6,685	5,319	5,299
Maintenance:			
Fiber	201	1,258	167
Coax	636	360	232
Drops	589	455	665
Conduit System	216	370	283
Headend	123,622	218,686	193,955
Line Equipment	1,098	1,233	1,011
Modems	37,413	31,466	30,612
Vacation, Holiday, Sick Leave	18,479	14,710	23,414
Property Taxes	204	205	265
Depreciation	195,054	189,440	166,384
<b>Total Data/Internet</b>	<b>\$665,721</b>	<b>\$703,221</b>	<b>\$728,142</b>

**Muscatine Power and Water - Communications Utility**  
**Summary of Expenses**  
**Current Month - August 2014**

	<u>Budget</u> <u>Estimate</u>	<u>This Year</u>	<u>Last Year</u>
<b><u>MAN/MME</u></b>			
Pole Attachment Expense	\$1,100	\$1,100	\$1,042
Tools Expense	292	249	51
Maintenance:			
Fiber	378	299	575
Conduit System	403	823	817
MAN/MME Equipment	7,765	6,132	1,101
Vacation, Holiday, Sick Leave	382	528	414
Property Taxes	354	354	152
Depreciation	20,841	20,425	20,963
<b>Total MAN/MME</b>	<b>31,515</b>	<b>29,910</b>	<b>25,115</b>
<b><u>Customer Service Expense</u></b>			
Customer Information Expense	6,013	3,651	3,446
<b><u>Consumer Accounts</u></b>			
Supervision	2,585	2,720	2,926
Consumer Records and Collections	41,266	42,681	45,347
Uncollectible Accounts Expense	3,627	3,627	2,952
Vacation, Holiday, Sick Leave	3,484	4,182	3,456
<b>Total Consumer Accounts</b>	<b>50,962</b>	<b>53,210</b>	<b>54,681</b>
<b><u>Administrative and General</u></b>			
Administrative and General Salaries	72,817	73,514	56,530
Office Supplies and Expense	4,376	4,290	3,373
Outside Services Employed	11,487	5,180	7,967
Property Insurance	1,177	1,186	1,040
Casualty Ins, Injuries & Damages	6,263	4,022	2,880
Employee Pensions and Benefits	82,304	77,424	78,394
Fringe Benefits Charges to Construction	(6,541)	(5,901)	(5,002)
Rents	9,206	9,206	8,938
Miscellaneous General Expense	21,611	22,485	20,824
Maintenance of General Plant	3,969	2,443	2,493
Vacation, Holiday, Sick Leave	8,669	5,715	5,711
Depreciation	9,174	8,661	8,276
<b>Total Administrative and General</b>	<b>224,512</b>	<b>208,225</b>	<b>191,424</b>
<b>Total Operating Expenses</b>	<b>\$965,528</b>	<b>\$885,147</b>	<b>\$942,013</b>

**Muscatine Power and Water - Communications Utility**  
**Summary of Expenses**  
**Calendar Year-to-Date - August 2014**

	<b>Budget Estimate</b>	<b>This Year</b>	<b>Last Year</b>
<b><u>MAN/MME</u></b>			
Pole Attachment Expense	\$8,800	\$8,800	\$8,333
Tools Expense	2,333	3,539	346
Maintenance:			
Fiber	2,773	4,581	2,316
Conduit System	2,983	5,113	3,909
MAN/MME Equipment	61,250	38,840	12,252
Vacation, Holiday, Sick Leave	3,866	4,306	4,272
Property Taxes	2,831	2,831	3,636
Depreciation	166,732	163,400	167,704
<b>Total MAN/MME</b>	<b>251,568</b>	<b>231,410</b>	<b>202,768</b>
<b><u>Customer Service Expense</u></b>			
Customer Information Expense	65,236	19,249	19,204
<b><u>Consumer Accounts</u></b>			
Supervision	20,075	21,211	21,718
Consumer Records and Collections	319,753	328,851	327,888
Uncollectible Accounts Expense	29,013	29,013	23,616
Vacation, Holiday, Sick Leave	34,364	40,816	37,481
<b>Total Consumer Accounts</b>	<b>403,205</b>	<b>419,891</b>	<b>410,703</b>
<b><u>Administrative and General</u></b>			
Administrative and General Salaries	569,764	573,341	454,234
Office Supplies and Expense	37,406	36,445	32,642
Outside Services Employed	91,945	71,843	55,925
Property Insurance	9,177	9,052	8,113
Casualty Ins, Injuries & Damages	50,702	50,750	34,173
Employee Pensions and Benefits	663,530	675,198	654,698
Fringe Benefits Charges to Construction	(49,455)	(49,942)	(45,538)
Rents	73,649	73,649	71,504
Miscellaneous General Expense	124,779	90,675	87,905
Maintenance of General Plant	31,066	25,315	21,066
Vacation, Holiday, Sick Leave	84,349	73,449	72,372
Depreciation	73,393	69,288	66,208
<b>Total Administrative and General</b>	<b>1,760,305</b>	<b>1,699,063</b>	<b>1,513,302</b>
<b>Total Operating Expenses</b>	<b>\$7,677,556</b>	<b>\$7,253,639</b>	<b>\$7,509,059</b>

**Muscatine Power and Water - Communications Utility**  
**Statistical Data**  
**August 2014**

<u>Services</u>	<u>Budget Estimate</u>	<u>% Increase (Decrease) From Budget</u>	<u>This Year</u> <sup>fn1</sup>	<u>% Increase (Decrease) Fr. Last Yr.</u>	<u>Last Year</u> <sup>fn1</sup>
<u>CATV</u>					
Residential	6,664	(7.1)	6,194	(10.0)	6,880
Commercial/Hospitality	<u>162</u>	0.0	<u>162</u>	1.3	<u>160</u>
Total CATV	<u><u>6,826</u></u>	(6.9)	<u><u>6,356</u></u>	(9.7)	<u><u>7,040</u></u>
Bulk Equivalent Services	<u>359</u>	4.5	<u>375</u>	0.5	<u>373</u>
Bulk Master Services	<u>22</u>	4.5	<u>23</u>	4.5	<u>22</u>
<u>Internet</u>					
Residential	6,979	(0.7)	6,927	1.9	6,799
Commercial	<u>439</u>	5.5	<u>463</u>	(1.5)	<u>470</u>
Total Internet	<u><u>7,418</u></u>	(0.4)	<u><u>7,390</u></u>	1.7	<u><u>7,269</u></u>
<u>MAN/MME</u>	<u>67</u>	---	<u>69</u>	23.2	<u>56</u>

**fn1** Number of actual residential and commercial services are per the end of month subscriber report

**Communications Utility**  
**Review of Operating Results**  
**August 2014**

**MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY  
VARIANCES FROM BUDGETED NET POSITION - AUGUST 31, 2014**

(Unfavorable)/  
Favorable  
Compared to  
Budget

**Operating Revenue**

## CATV Revenue

\$	(133,114)	Lower CATV revenues due to lower subscribers (6,356 vs. 6,826)
	32,784	Lower marketing promotional discounts (\$224,191 vs. \$256,975)
	(45,771)	Lower video on demand revenues due to fewer customers, fewer buys
	(5,554)	Lower install and service fee revenues
	60,095	Higher ad sales revenues
	(4,370)	Prior year adjustment for equipment billings
	24,571	Higher bulk revenues
	(12,119)	Other miscellaneous variances - net
	<u>(83,478)</u>	

## Data/Internet Revenue

	39,363	Higher cable modem revenues due to higher avg subscribers (7,390 vs. 7,418)
	15,067	Higher WiMax revenues
	17,353	Lower marketing promotional discounts (\$31,447 vs. \$48,800)
	21,063	Higher Wi-fi @ Home
	(3,157)	Lower install and service fee revenues
	(11,449)	Prior year adjustment for equipment billings
	(13,905)	Other miscellaneous variances - net
	<u>76,098</u>	

## MAN/MME

	<u>(34,416)</u>	Budget based on higher expected contract amounts
	<u>(34,416)</u>	

## Miscellaneous Revenue

	9,523	Higher revenues for signal transmission to Mediapolis and Wilton, due to new contract
	7,459	Higher job sales revenues
	5,697	Higher EZ hold fee revenues
	2	Other miscellaneous variances - net
	<u>22,681</u>	

**Operating Expense**

## Operation

	233,223	Lower programming due to less overall subscribers, dropping of Viacom channels, and prior period Starz credit
	5,405	Lower materials for Ad Insertion
	21,865	Lower miscellaneous CAD & CATV labor
	7,942	Lower miscellaneous equipment retirements
	(3,171)	Higher miscellaneous stores adjustments
	(3,406)	Higher miscellaneous materials
	3,910	Lower vehicle labor & materials
	43,690	Additional internet bandwidth not necessary and lower prices
	(4,325)	Higher labor for changes of service
	19,358	Lower promotion/education expenses
	8,964	Lower media advertising expenses
	11,400	Customer survey, not performed
	(6,960)	Higher customer service labor due to full employment
	(3,736)	Higher customer service materials
	(3,577)	Higher Administrative & General Salaries
	6,400	Web design services not yet needed
	3,200	Salary study, not performed
	6,351	Business Systems Study lower than anticipated
	7,076	Lower FICA costs
	7,552	Health care costs lower than expected
	(31,384)	Severance not budgeted
	19,810	Lower miscellaneous CATV labor
	11,949	Lower miscellaneous travel
	10,621	Lower vacation, holiday, sick leave
	24,509	Other miscellaneous variances - net
	<u>396,666</u>	

## Maintenance

	(3,695)	Higher labor for maintenance of fiber
	7,973	Lower materials for maintenance of coax
	3,972	Lower labor and materials for maintenance of drops
	(4,414)	Higher labor and materials for maintenance of conduit
	(9,004)	Higher materials for maintenance of CATV headend fiber due to equipment write-offs

**MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY  
 VARIANCES FROM BUDGETED NET POSITION - AUGUST 31, 2014**

	11,538	Lower materials for maintenance of signal acquisition equipment
	20,925	Lower maintenance agreements for signal acquisition equipment
	6,652	Lower labor for maintenance of CATV headend
	4,819	Lower labor for CATV line maintenance
	(5,176)	Higher materials for CATV line maintenance due to equipment write-offs
	15,627	Lower converter maintenance labor costs
	(99,009)	Higher labor related to internet services work on gateways and network
	9,106	Lower maintenance agreements for internet headend maintenance
	(5,161)	Higher materials for maintenance of internet headend
	5,614	Lower labor for maintenance of modems
	27,082	Lower labor for repairing MAN/MME equipment on customer premises
	(4,673)	Higher materials for repairing MME equipment
	5,928	Lower software/hardware maintenance and repair manuals
	(6,848)	Other miscellaneous variances - net
	<u>(19,999)</u>	
Depreciation	<u>47,250</u>	Lower depreciation due to fewer fixed assets purchases in 2013 than anticipated
<b>Nonoperating Revenue (Expense)</b>		
Interest Income	<u>(1,216)</u>	Lower rate of return
<b>Change in Net Position before Capital Contributions</b>	403,586	
Capital Contributions	14,040	University of Iowa Dialysis contribution not budgeted
	<u>10,232</u>	Other miscellaneous variances - net
	<u>24,272</u>	
<b>Change in Net Position</b>	<u>\$ 427,858</u>	Total Variance from Budgeted Net Position

## Statement of Revenues, Expenses and Changes in Net Position

### Operating Revenues

#### CATV

CATV subscriber revenues are \$133,114 less than budget. Converter revenues are \$12,465 less than budget. Customer levels totaled 6,356 actual vs. 6,826 budgeted. Marketing promotional discounts are less than budget by \$32,784. Promotional discounts include bundled discounts of \$157,175. These discounts had been previously recorded within Data/Internet revenue for most of 2013. Video on demand/PPV revenues are \$45,771 lower than budgeted due to fewer subscribers and lower buy rates. Install and service fee revenues are \$6,971 compared to the \$12,525 budgeted. Ad sales revenues are higher than budget by \$60,095. Other revenues were \$4,370 lower than budget due to a prior year adjustment for equipment billings. Residential and Commercial bulk revenues are \$24,571 higher than budget.

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Gross CATV Revenue	\$5,202,624	\$5,086,362	\$5,282,930
Discounts	<u>(256,975)</u>	<u>(224,191)</u>	<u>(115,792)</u>
Net CATV Revenue	<u>\$4,945,649</u>	<u>\$4,862,171</u>	<u>\$5,167,138</u>

#### Data/Internet Revenue

Internet subscriber revenues are \$39,363 more than budget. Total subscriber levels are 7,390 actual vs. 7,418 budgeted. WiMax revenues are \$15,067 higher than budget, mostly driven by greater than expected residential subscribers. Marketing promotional discounts were less than budgeted by \$17,353. Wi-fi @ Home revenues were greater than budgeted by \$21,063. Installation revenues were \$3,157 lower than budget. Other revenues were \$11,449 lower than budget mostly due to a prior year adjustment for equipment billings.

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Gross Data/Internet Revenue	\$3,103,806	\$3,162,551	\$2,661,166
Discounts	<u>(48,800)</u>	<u>(31,447)</u>	<u>(45,107)</u>
Net Data/Internet Revenue	<u>\$3,055,006</u>	<u>\$3,131,104</u>	<u>\$2,616,059</u>

#### MAN/MME

Revenue is \$34,416 lower than budget mostly due to actual contract pricing coming in lower than expected as well as timing differences in the expected installation dates for new customers. Budgetary numbers were based on expected subscriber contracts and pricing.

#### Miscellaneous

Revenues for signal transmission to Mediapolis and Wilton are higher than budget \$9,523 due to a revised contract after the budget was prepared. Job sales and EZ hold fee revenues are \$7,459 and \$5,697 higher than budget, respectively.

#### Capital Contributions

Capital contributions of \$14,040 from the University of Iowa Dialysis Center and MME equipment payments were not budgeted.

## Statement of Net Position

### 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 lower due to less overall subscribers, the dropping of the Viacom channels, and a Starz credit for prior period over-billings in the amount of \$16,308. Viacom channels dropped represented a \$3.63 per subscriber cost reduction for 5,684 customers in August.

#### Ad Insertion – Marketing/Production

Labor is over budget \$2,733. Materials are under budget \$5,405, of which \$1,600 is mileage.

#### Miscellaneous CATV Expense

The CAD & CATV Tech departments' labor expense is \$13,113 and \$8,752 lower than budget respectively. The expense for retiring CATV equipment is \$7,942 lower than budget. Stores adjustments are \$3,171 higher than budget. Other materials are \$3,406 higher than budget.

#### Vehicle Expense

Labor and gasoline/diesel fuel are under budget \$1,799 and \$2,111 respectively.

#### Maintenance of Fiber

Labor is higher than budget by \$3,695.

#### Maintenance of Coax

Only \$1,052 of the \$9,025 budgeted for materials has been expended.

#### Maintenance of Drops

Labor is under budget by \$2,814. Only \$776 of the \$1,934 budgeted for materials has been expended.

#### Maintenance of Conduit

Labor and materials are over budget by \$2,795 and \$1,619 respectively.

#### Maintenance of Headend

Material for maintenance on fiber was over budget \$9,004 primarily related to higher than budgeted write-offs of obsolete equipment. Material for maintenance of signal acquisition was under budget \$11,538. Maintenance agreements related to signal acquisition were under budget \$20,925. Labor is under budget \$6,652.

CATV (cont'd)Maintenance of Line Equipment

Material was over budget \$5,176 primarily due to the write-off of obsolete equipment. Maintenance agreements were over budget \$2,818. Labor was under budget \$4,819.

Maintenance of Converters

The CATV technicians' labor is under budget \$12,496. The trafficking specialist's labor is under budget \$3,131.

Vacation, Holiday, Sick Leave

Expense is under budget \$2,844 mostly in the CATV Tech area.

Depreciation

Depreciation is lower than budget due to expected headend, drops, and nodes purchases not being made prior to year-end 2013. This type of equipment has five, ten, and twenty?-year lives respectively.

Data/InternetInternet Access

Internet bandwidth needs have not been as high and the price of bandwidth is less than expected.

Changes of Service

Labor for changes of service is over budget \$4,325.

Maintenance of Headend

Labor for maintenance of headend is over budget \$99,009 due to work on the gateways and network for internet services and more time spent maintaining headend than expected. Maintenance agreements are under budget \$9,106. Other materials are over budget \$5,161.

Maintenance of Modems

Labor for maintenance of modems is under budget \$5,614.

Vacation, Holiday, Sick Leave

Expense is under budget \$3,988 mostly in the Communications area.

Depreciation

Depreciation is lower than budget due to expected headend and wireless equipment purchases not being made prior to year-end 2013. These types of equipment have a seven-year life.

MAN/MMEMaintenance of MAN/MME Equipment

Labor for maintenance of equipment is under budget by \$27,082 primarily due to less work on customer premises. Materials are over budget \$4,673.

Depreciation

Depreciation is lower than budget due to expected headend and MME equipment purchases not being made prior to year-end 2013. These types of equipment have seven- and twenty-year lives respectively.

Customer Service ExpenseCustomer Information Expense

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Promotion/Education Expense	\$ 20,740	\$ 1,382	\$ 1,912
Media Advertising	20,865	11,901	12,052
Customer Survey	11,400	---	---
Focus Groups	2,500	---	---
Other	<u>9,731</u>	<u>5,966</u>	<u>5,240</u>
Total	<u>\$65,236</u>	<u>\$19,249</u>	<u>\$19,204</u>

Consumer AccountsConsumer Records and Collections

Labor expense is higher than budget by \$6,960 due to the less than full employment adjustment. Temp services are \$1,599 lower than budget. Materials are \$3,736 higher than budget.

Vacation, Holiday, Sick Leave

Expense is over budget \$6,453 primarily in the Help Desk and Outside Services/Meter Reading areas.

Administrative & GeneralAdministrative and General Salaries

Expense is over budget \$3,577 primarily in the Supply Chain area.

Administrative & General (cont'd)Outside Services

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
MCC Public Access	\$ 39,629	\$ 38,055	\$ 35,970
Web/Graphics Services	6,400	---	---
Insurance Advisor	4,000	4,032	4,032
Audit Fees	4,728	4,072	4,746
Salary Survey	3,200	---	---
Workforce Development Training	1,600	1,325	---
Org Consulting	1,600	1,519	---
Business Systems Study	24,000	17,649	---
Employee Search Services	2,400	---	6,150
Legal Fees	4,268	5,075	3,133
Other	<u>120</u>	<u>116</u>	<u>1,894</u>
	<u>\$91,945</u>	<u>\$71,843</u>	<u>\$55,925</u>

Casualty Ins, Injuries & Damages

Workers compensation claims were higher than anticipated.

Employee Pensions & Benefits

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Deferred Compensation	\$ 24,409	\$ 25,461	\$ 25,902
Dental	12,968	10,778	12,522
FICA	134,526	127,450	124,625
Flex Spending	509	831	579
Education Reimbursements	5,400	3,295	1,224
Health care cost	234,922	227,370	257,237
OPEB	10,833	10,833	11,483
Pension	221,520	221,592	198,161
Unemployment	1,350	---	6,726
Recognition	1,872	2,598	1,787
Severance	---	31,384	---
Other expenses	<u>15,221</u>	<u>13,606</u>	<u>14,452</u>
	<u>\$663,530</u>	<u>\$675,198</u>	<u>\$654,698</u>

Fringe Benefits Charged to Construction

More time has been charged to capital projects than projected.

Administrative & General (cont'd)Miscellaneous General Expense

Labor is below budget \$19,810 in the CATV Tech department, due to a timing difference in training. Wellness team material expenses are under budget \$889. Safety health services are under budget \$1,043. Travel is under budget \$11,949 mostly in the Communications areas. Memberships and subscriptions are over \$2,005.

Maintenance of General Plant

Software/hardware non-contract maintenance is \$3,768 lower than budgeted. Vehicle maintenance subscriptions for GPS and repair manuals, budgeted at \$2,160, have not been expended.

Vacation, Holiday, Sick Leave

Expense is under budget \$10,901 mostly in the Communications areas.

Depreciation

Depreciation is lower than budget due to expected IS hardware and software purchases not being made prior to year-end 2013. This type of equipment has a five-year life.

**Communications Utility  
Statement of Net Position Review  
August 2014**

<u><b>Current Assets</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
<u>Receivables - Consumer Accounts</u>		
Customer Communications Accounts	\$1,111,447	\$1,098,979
Unbilled Revenue	87,355	83,189
Merchandise Accounts	104,082	47,272
Allowance for Doubtful Accounts	<u>(80,643)</u>	<u>(57,486)</u>
	<u>\$1,222,241</u>	<u>\$1,171,954</u>
 <u>Inventories</u>		
Inventory	\$222,542	\$296,346
Stores Expense (a/c 163)	<u>(946)</u>	<u>(2,530)</u>
	<u>\$221,596</u>	<u>\$293,816</u>
 <u>Prepaid Expenses</u>		
Prepaid Insurance	\$25,540	\$23,318
Prepaid Maintenance Contracts	55,650	67,322
Prepaid Programming Expense - WQAD	32,821	29,125
Other Prepaid Expenses	<u>9,065</u>	<u>3,368</u>
	<u>\$123,076</u>	<u>\$123,133</u>
 <u><b>Current Liabilities</b></u>		
<u>Accounts Payable (amounts over \$2,500 itemized)</u>		
Pole Rental	\$27,800	\$27,000
Big 10 - programming fee	9,284	9,609
BillTrust - bill processing	2,883	—
CDW-G - wireless routers	10,539	—
Centurylink - tel/access fees	14,806	12,237
Comcast Sportsnet Chicago - programming fee	21,108	20,825
Comsonics - multimeter rpr	4,424	—
Fox Sports Net Midwest - programming fee	21,058	21,562
Graybar Electric - conduit	—	10,894
Muscatine Community College - public access	9,352	8,993
Natl Cable TV Coop - programming fee/digital conv equip	197,241	218,315
Nexstar - programming fee	6,958	—
PC Connection Sales Corp - fiber patch cable	3,278	—
Power & Tel - channel vaults/fiber optic cable	4,132	6,171
QCTA - programming fee	6,744	6,316
Quality Resource Group - forms	—	2,702
Rovi Guides - programming fee	9,271	9,587
S&O Aerial Construction - install aerial fiber	—	3,985
Showtime Networks - programming fee	6,520	3,283
Terry-Durin - conduit	2,889	2,849
Univision - programming fee	5,587	5,678
Vubiquity/Avail-TVN - programming fee	8,682	9,907
WHBF-TV Quad Cities - programming fee	—	6,490
Young Broadcasting - programming fee	7,653	7,254
Other	<u>36,852</u>	<u>43,166</u>
	<u>\$417,061</u>	<u>\$436,823</u>
 <u>Miscellaneous Accrued Expenses</u>		
Sales/Use Tax Collections Payable	\$18,934	\$25,230
Franchise Fees Payable	34,214	39,643
Payroll Tax Collections Payable	18,629	18,173
Workers' Comp Self Insurance Reserves	<u>24,208</u>	<u>39,668</u>
	<u>\$95,985</u>	<u>\$122,714</u>