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INDIANA UTILITY  
REGULATORY COMMISSION

**Indiana Telephone Relay Access Corporation  
For the Hearing and Speech Impaired**

**(InTRAC)**

**Projected Statements of Cash Flows**

**Indiana Telephone Relay Access Corporation  
For the Hearing and Speech Impaired**

**(InTRAC)**

Indianapolis, Indiana

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To the Board of Directors  
Indiana Telephone Relay Access Corporation for  
the Hearing and Speech Impaired (InTRAC)

We have compiled the accompanying projected statements of cash flows for the years ending September 30, 2010, 2011 and 2012, in accordance with the guidelines established by the American Institute of Certified Public Accountants.

The accompanying projected cash flows statement presents, to the best of management's knowledge and belief, InTRAC's projected cash flows for the projection periods that would result if relay costs and surcharge revenues are as described in the list of assumptions. Financial position and results of operations are not intended to be projected. These projected cash flows statements were prepared for the InTRAC Board of Directors and are intended to be used by InTRAC to satisfy its obligation under Section 8-1-2.8-21(3) of the Indiana Code to file reasonable projections of anticipated funding requirements with the Indiana Utility Regulatory Commission and should not be used for any other purpose.

A compilation is limited to presenting projected information that is the representation of management and does not include evaluation of the support for the assumptions underlying such information. We have not examined the projected statements of cash flows and accordingly, do not express an opinion or any other form of assurance on the accompanying statements. Furthermore, there will usually be differences between projections and the actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

We are not independent with respect to Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired.

A handwritten signature in cursive script, appearing to read 'Kehlenbrink Lawrence &amp; Pauckner'.

April 28, 2010

## InTRAC

### Projected Statements of Cash Flows

	For the Years Ending September 30,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Cash Provided by			
Local exchange carriers	\$ 834,120	\$ 767,520	\$ 705,960
Wireless service providers	1,649,160	1,698,480	1,749,600
Investment income	265,705	220,738	136,199
Total	<u>2,748,985</u>	<u>2,686,738</u>	<u>2,591,759</u>
Cash Used by			
Relay service expense	2,356,683	2,864,360	3,699,660
Advertising costs	200,000	200,000	200,000
Other operating expenses	504,100	517,400	526,500
Program costs	177,876	195,689	216,155
Total	<u>3,238,659</u>	<u>3,777,449</u>	<u>4,642,315</u>
Net Change in Cash and Cash Equivalents	(489,674)	(1,090,711)	(2,050,556)
Beginning Cash and Cash Equivalents	<u>6,934,564</u>	<u>6,444,890</u>	<u>5,354,179</u>
Ending Cash and Cash Equivalents	<u>\$ 6,444,890</u>	<u>\$ 5,354,179</u>	<u>\$ 3,303,623</u>

See accompanying summary of significant projection assumptions and accounting policies and accountants' report.

# InTRAC

## Summary of Significant Projection Assumptions and Accounting Policies

### General

This financial projection of cash flow presents, to the best of management's knowledge and belief, the expected results of cash flows for the projection period. Accordingly, the projection reflects management's judgment as of April 28, 2010, the date of this projection, of the expected conditions and its expected course of action. The presentation is designed to provide information for the InTRAC Board of Directors and the Indiana Utility Regulatory Commission and cannot be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

### Significant Accounting Policies

The summary of significant accounting policies are as stated on pages 5 and 6 in the historical audited financial statement for the year ended September 30, 2009 set forth in this document.

### Revenue

The monthly surcharge that funds InTRAC's operations is \$.03.

The surcharge will be assessed on an average of 2,317,000 wire lines in the projection year ending September 30, 2010. Based on the change in access lines between the periods of January 2010 and January 2009, it is assumed that these lines will decrease at an annual rate of 8.0% from September 30, 2009 forward.

The surcharge will be assessed on an average of 4,581,000 wireless customers in the projection year ending September 30, 2010. A comparison of wireless customers at January 2010 and January 2009 indicates annual growth rates of approximately 3.0%. Accordingly, we have assumed that wireless customers will grow at a rate of 3.0% in the years ending September 30, 2010, 2011, and 2012.

Revenue calculations for the projection year ending September 30, 2010 are as follows:

LEC Customers	2,317,000 X \$.03 X 12	= \$	834,120
Wireless Customers	4,581,000 X \$.03 X 12	= \$	1,649,160

## **InTRAC**

### **Summary of Significant Projection Assumptions and Accounting Policies**

#### Revenue (Continued)

Based on the current economic climate and the asset allocation of the investment portfolio, the investment rate of return is assumed to be 4.3% (the current risk free rate of return equal to 3.8% plus 0.5%). Excess cash reserves will be invested in mutual funds investing in debt, equity and fixed income securities; in corporate and government bonds; and in annuities.

#### Relay Service Expense

The cost of relay service will be based on minutes of use at a cost per minute of \$.86 for October 2009 based on the contract that expires in October 2009. For November 2009 through September 2012, the cost per minute is \$.90. Based on the yearly change in billable minutes through September 2009, it is estimated that billable minutes will decrease annually at a rate of 30.0% throughout the projection period. Estimated billable minutes for the projection year ending September 30, 2010 will be 705,000.

The cost of providing service for captioned telephones will be based on minutes of use at a cost per minute of \$1.45 for October 2009 based on the contract that expires in October 2009. For November 2009 through September 2012, the cost per minute is \$1.49. Based on the yearly change in billable minutes through September 2009, it is estimated that billable minutes will increase annually at a rate of 40%. Estimated billable minutes for the projection year ending September 30, 2010 will be 1,160,000.

#### Administrative Expenses

The annual cost of the administration of InTRAC is estimated to be \$704,100, \$717,400, and \$726,500 for the years ending in 2010, 2011, and 2012, respectively. This includes \$200,000 that will be budgeted for advertising for each projection year.

#### Equipment Program Costs

InTRAC purchases equipment for those hearing and speech impaired individuals who are financially unable to purchase the equipment themselves. Several choices are now available that allow for different technological applications. Individual unit costs range from \$253 to \$555.

## **InTRAC**

### **Summary of Significant Projection Assumptions and Accounting Policies**

#### Other Considerations

Cash and cash equivalents are defined as deposits maintained in various bank accounts and investments in equity and interest-bearing securities.

Funding for the provision of Video Relay Services, Internet Relay Services, and Web CapTel Services is currently provided through the National Exchange Carrier Association. Funding for these services may shift to the state level sometime in the future. The timing of this shift is unknown currently, but it is not expected to shift in the three years presented.

The assumptions disclosed are not necessarily all-inclusive.