

**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, 2018, 2019 and 2020, 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 Pauckner'.

April 25, 2018

InTRAC

Projected Statements of Cash Flows Surcharge of \$0.03

	For the Years Ending September 30,		
	2018	2019	2020
Cash Provided by			
Local exchange carriers	\$ 613,080	\$ 576,360	\$ 541,800
Wireless service providers	2,040,120	2,080,800	2,122,560
Investment income	321,502	368,602	422,652
Total	<u>2,974,702</u>	<u>3,025,762</u>	<u>3,087,012</u>
Cash Used by			
Relay service expense	1,120,820	943,050	794,750
Advertising costs	220,000	226,600	233,398
Other operating expenses	639,200	649,000	659,500
Program costs	128,934	168,429	207,419
Total	<u>2,108,954</u>	<u>1,987,079</u>	<u>1,895,067</u>
Net Change in Cash and Cash Equivalents	865,748	1,038,683	1,191,945
	<u>6,224,221</u>	<u>7,089,969</u>	<u>8,128,652</u>
Ending Cash and Cash Equivalents	<u>\$ 7,089,969</u>	<u>\$ 8,128,652</u>	<u>\$ 9,320,597</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 25, 2018, 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 4 - 6 in the historical audited financial statement for the year ended September 30, 2017 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 1,703,000 wire lines in the projection year ending September 30, 2018. Based on the change in access lines between the periods of January 2018 and January 2017, it is assumed that these lines will decrease at an annual rate of 6.0% from September 30, 2018 forward.

The surcharge will be assessed on an average of 5,667,000 wireless customers in the projection year ending September 30, 2018. A comparison of wireless customers at January 2018 and January 2017 indicates annual growth rates of approximately 2.0%. Accordingly, this rate of growth has been assumed for the years ending September 30, 2018, 2019, and 2020.

Revenue calculations for the projection year ending September 30, 2018 are as follows:

LEC Customers	1,703,000 X \$.03 X 12	= \$	613,080
Wireless Customers	5,667,000 X \$.03 X 12	= \$	2,040,120

Based on the current economic climate and the asset allocation of the investment portfolio, the investment rate of return is assumed to be 4.75% (rounding the current Dow Jones 20 bond yield equal to 3.29% plus 1.5%). Excess cash reserves will be invested in mutual funds investing in debt, equity and fixed income securities; and in corporate and government bonds.

InTRAC
Summary of Significant Projection Assumptions and Accounting Policies

Relay Service Expense

The cost of relay service is based on minutes of use at a cost per minute of \$1.25 through October 2019. Billable minutes measured and their respective changes during fiscal years ending September 30, 2013 through September 30, 2017 are shown in the table below.

Relay Minutes		
Year Ending 9/30	Billable Minutes	% of Change
2017	185,927	(20.60%)
2016	234,179	(31.34%)
2015	341,078	(21.42%)
2014	434,072	(8.99%)
2013	476,968	(19.71%)

For the purposes of this projection it is assumed that billable minutes will decrease at a rate of approximately 20% in 2018, 2019 and 2020. Estimated billable minutes for the projection year ending September 30, 2018 will be 149,000.

The cost of providing service for captioned telephones will be based on minutes of use at a cost per minute of \$1.69 through October 2019. Billable minutes measured and their respective changes during fiscal years ending September 30, 2013 through September 30, 2017 are shown in the table below.

Captioned Telephone Minutes		
Year Ending 9/30	Billable Minutes	% of Change
2017	650,085	(14.87%)
2016	763,600	(20.59%)
2015	961,596	(20.33%)
2014	1,207,044	(3.94%)
2013	1,256,521	5.49%

Based on the yearly change in billable minutes through September 2017, it is estimated that billable minutes will decrease for 2018 at a rate of approximately 15%. For the purposes of this projection it is assumed that billable minutes will continue to decrease at a rate of approximately 15% in 2019 and 2020. Estimated billable minutes for the projection year ending September 30, 2018 will be 553,000.

Administrative Expenses

The annual cost of the administration of InTRAC is estimated to be \$859,200, \$875,600, and \$892,898 for the years ending in 2018, 2019, and 2020, respectively. This includes \$220,000, \$226,600 and \$233,398 that will be budgeted for advertising for each projection year 2018, 2019 and 2020, respectively.

InTRAC
Summary of Significant Projection Assumptions and Accounting Policies

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 \$101 to \$1,499.

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 by the federal government. 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.