

A S H P A U G H & S C U L C O

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

P. L. C.

**CABLE TELEVISION
LICENSE FEE AND PEG FEE ANALYSIS
OF COX COMMUNICATIONS
FOR THE
CITY OF TUCSON, ARIZONA**

FINAL REPORT

August 10, 2006

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ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants

August 10, 2006

Ms. Ann Strine
Director of Information Technology
City of Tucson
480 W. Paseo Redondo
Tucson, Arizona 85726-7210

Subject: License Fee and PEG Fee Analysis for the City of Tucson, Arizona

Dear Ms. Strine:

Enclosed is our Final Report for the Analysis of License Fees and PEG Fees of Cox Communications for the City of Tucson, Arizona (the "City"). This report is intended solely for the information and use of the City and is not intended to be and should not be used by anyone other than these specified parties. We appreciate the opportunity to be of service to you. If you have any questions, please do not hesitate to call us at (407) 645-2020.

Sincerely,

Ashpaugh & Sculco, CPAs, PLC

**LICENSE FEE AND PEG FEE ANALYSIS OF COX
FOR THE CITY OF TUCSON, ARIZONA**

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EXECUTIVE SUMMARY

Ashpaugh & Sculco, CPAs, PLC (“A&S”) was engaged by the City’s outside counsel, the firm of Miller & Van Eaton, PLLC, to perform an analysis of the licenses fees and public, education and government access (“PEG”) fees paid to the City of Tucson, Arizona (the “City”) by Cox Communications (“Cox”) from October 1, 2000 through September 30, 2005 (the “Review Period”). The remainder of this Report discusses our findings and analyses.

SUMMARY OF LICENSE FEES DUE TO THE CITY

Based on our review, it is our opinion that Cox underpaid license fees to the City for the review period by \$1,168,605. With interest charges of \$394,589 and audit costs of \$30,000, the total due to the City increases to \$1,593,194. A summary of our findings is attached as Table 1.

Item No.	Description	Total Due to the City
A.	Subscriber Revenues – Area 479	(\$39,639)
B.	Bad Debt	26,027
C.	Non-Sufficient Funds Fees	8,142
D.	Itemized PEG Amounts	108,991
E.	Advertising	851,715
F.	Home Shopping	210
G.	Launch Fees	123,687
H.	Cooperative Marketing	89,472
	Underpayment Owed by Cox	\$1,168,605
I.	Interest Charges	394,589
J.	Audit Costs	30,000
	Total Amount Due to the City	\$1,593,194

SUMMARY OF PEG FEES DUE TO THE CITY

It is our opinion that Cox underpaid PEG fees to the City for the review period by \$50,487. With interest charges of \$22,559, the total due to the City is \$73,046. A summary of our findings is attached as Table 2.

Description	Quarterly PEG Fees	Monthly PEG-INet Fee	Total Due to the City
PEG Fees Calculated by A&S	\$2,643,094	\$1,935,566	\$4,578,660
PEG Fees Paid by Cox	(2,621,701)	(1,906,472)	(4,528,172)
Amount Owed by Cox	\$21,393	\$29,094	\$50,487
Interest Charges	8,065	14,494	22,559
Total Amounts Due to the City	\$29,458	\$43,588	\$73,046

DISCLAIMER TO FINANCIAL INFORMATION

A&S was not engaged to, and did not, perform an audit of Cox, the objective of which would be the expression of an opinion that the financial statements provide a representation of the operations for the period reviewed. Accordingly, we do not express such an opinion. Had we performed such additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to an analysis of Cox gross revenues used to calculate license fees and does not extend to any financial statements of Cox or the City. We have relied solely on information provided to us by the City and Cox. This report is intended solely for the information and use of the City and is not intended to be and should not be used by anyone other than this specified party.

SCOPE OF WORK

A&S was engaged to perform an analysis of the License Fees and PEG Fees paid by Cox to the City for the review period from October 1, 2000 through September 30, 2005, as outlined below in the Scope of Work. All conclusions and recommendations are based on data responses, accounting records, and interviews provided by the City and Cox. To analyze the license fees, A&S performed the following:

1. Prepared initial data request to Cox, on behalf of the City, requesting information for the review period.
2. Reviewed license agreement to gain an understanding of the terms, conditions, and requirements for the determination of license fees.
3. Cross-referenced the license fee calculations to the relevant sections of the license agreement.
4. During the course of the project, prepared subsequent data requests to follow up and resolve outstanding items and questions.
5. Corresponded with Cox and the City staff, when appropriate, to obtain additional information.
6. Reconciled revenues reported in the quarterly license fee payments to supporting documentation provided by Cox.
7. Reconciled quarterly PEG fee revenues to supporting documentation provided by Cox. Reconciled subscriber counts to source documents.
8. Reconciled monthly PEG-INet fee revenues reported in the monthly license fee payments to supporting documentation provided by Cox.
9. For the review period, determined whether all categories of revenues were properly included in the calculation of license fees.
10. Summarized the dollar impact of any exceptions noted for each year.
11. Calculated the interest charges associated with the underpayment of license fees and PEG Fees.

12. Prepared draft and final reports for the City summarizing our findings and recommendations.

DEFINITIONS OF LICENSE FEES

The City entered into a Cable Communication License Agreement with Robin Cable Systems of Tucson, an Arizona Limited Partnership, DBA TCI of Tucson regarding license fees prior to this review period. The cable television system was subsequently transferred from Robin Cable Systems of Tucson to Cox Communications (“Cox”). In accordance with the License Agreement and Tucson Cable Ordinance, the definition of license fees, gross revenues, and public, education and government access (“PEG”) fees are defined as follows:

License Fees

In accordance with Section 5 of the Cable Communication License Agreement, License Fees are defined as follows:

5. License Fee.

(a) Payment to City. As part of the financial compensation for use of Rights-of-way for the offering of Cable Services, Licensee and its affiliates shall pay City a license fee in an amount equal to five (5) percent of gross revenues as defined in the Cable Ordinance as of the effective date of this Agreement. The “license fee” referred to in this section and as referenced elsewhere in this Agreement is the fee referred to as a franchise fee under 47 U.S.C. § 542.

(b) Not in Lieu of Any Other Assessments, Tax or Fee. The license fee is in addition to all other fees, assessments, taxes or payments that Licensee may be required to pay under any federal, state, or local law, subject to any limitations set forth in 47 U.S.C. § 542.

(c) Payments. License fees shall be paid quarterly in accordance with the Cable Ordinance. In the event that a license fee payment or other sum due is not received by the City on or before the date due, or is underpaid, Licensee shall pay in addition to the payment, or sum due, interest from the due date at an annual rate equal to the maximum rate permitted under Arizona law, or 10% if no such rate is legally specified, compounded daily.

In accordance with Section Sec. 7A-34. of the Tucson Cable Ordinance, License Fees shall be paid as follows:

(3) Payments due the city under this section shall be computed quarterly, for the preceding quarter, as of March 31, June 30, September 30 and December 31 of each year. Each quarterly payment shall be due and payable no later than thirty (30) days after the applicable computation date. Each payment shall be accompanied by a financial statement showing in detail the gross revenues of the licensee relating to the relevant calendar quarter as well as any other report required by section 7A-22.

Gross Revenues

In accordance with Section 7A-2. of the Tucson Cable Ordinance, gross revenues are defined as follows:

“Gross revenues” means all cash, credits, property of any kind or nature, or other consideration derived from the operation of the cable system to provide cable services by the licensee; any cable operator of the cable system; or only to the extent necessary to prevent evasion, their affiliates, subsidiaries, parent and any person in which the licensee has a financial interest, that are not cable operators but that are performing the normal functions and responsibilities of a cable operator. This definition is intended to be read to reach as broadly as possible to encompass all revenues, subject to only to the limitations imposed by federal law. Therefore, "gross revenues" would include, by way of example but not limitation, the following:

- (a) Basic subscriber service monthly fees;
- (b) Optional service monthly fees;
- (c) Installation and reconnection fees;
- (d) Leased channel fees;
- (e) Converter rentals;
- (f) Production equipment and personnel fees;
- (g) Advertising revenues;
- (h) The sale, exchange or cablecast of any programming developed on or for community service channels or institutional users;
- (i) All recoveries of bad debts previously written off and revenues from the sale or assignment of bad debts; and
- (j) All sales of subscriber names and addresses.

This sum shall be the basis for computing the fee imposed pursuant to Tucson Cable Code, Section 7A-34. Gross revenues shall not include any taxes on services furnished by licensee which are imposed upon any subscriber or user by the state, city or other governmental unit and collected by licensee on behalf of said governmental unit (a license fee is not such a tax).

DEFINITIONS OF PEG FEES

In accordance with Section 15(g) of the Cable Communication License Agreement, the public, education and government access (“PEG”) fees shall be calculated and paid as follows:

15(g) Financial Support

- (1) *General.* Licensee will pay on a quarterly basis to the City forty cents (\$0.40) per subscriber per month plus inflation for the term of this License and any period during which Licensee continues to operate under it. The inflation component will be adjusted annually and will go into effect as of March 1 of each year. The inflation factor will be based upon the CPI for urban areas for the prior calendar year. By way of example, the adjustment for March 1, 1998 will be calculated by adding \$0.40 plus (.40 x most recent CPI-U for 1997). The money provided under this Section is for capital

dollars for and in support of PEG use of the Cable System. The first payment is due on October 30, 1997, and will cover the period from September 1, 1997 through the end of the calendar quarter. Subsequent payments will be made for full calendar quarters and will be due on the thirtieth day following the end of the calendar quarter.

- (2) *Contingent.* Because in 1996 the City had removed an exemption for a Telecommunications Tax that would otherwise have applied to Licensee, the City found it unnecessary, as part of a settlement, to seek as much for PEG support as it otherwise would have sought, and the Licensee, for its part, found it appropriate to agree to pay the Telecommunications Tax as part of an overall settlement and as an offset against certain PEG obligations, even though it otherwise would not have offered to provide as much PEG support. Therefore, as part of an overall settlement of renewal issues, in addition to the foregoing, Licensee is obligated to pay two per cent (2%) of gross revenues for and in support of PEG use, including institutional network use of the Cable System. However, this obligation shall be reduced by the amount that Licensee lawfully pays to the City pursuant to City Code Section 19-470 (referred to below as the "Telecommunications Tax"), in accordance with the terms of that Section as defined in Chapter 19. If Licensee lawfully pays the 2% Telecommunications Tax, the 2 per cent PEG support payment will be deemed to be fully offset. If amounts are paid pursuant to the Telecommunications Tax but the Telecommunications Tax is later declared unlawful, and the amounts paid are for any reason subject to refund, then amounts paid for the Telecommunications Tax shall nonetheless be retained by the City, and deemed to satisfy any obligations that Licensee would otherwise have under this Section. Should the two percent Telecommunications Tax be found unlawful, or if for any reason the City cannot or does not charge and collect that tax, Licensee will be obligated to make PEG/I-NET payments to the City set at the amount of the two per cent Telecommunication Tax at the time it was found unlawful or otherwise terminated, with annual CPI adjustments, based upon the Consumer Price Index for Urban areas. Payments made under this Section shall be owed monthly, and shall be paid no later than the 20th day of the month, or the date the Telecommunications Tax payment was due, whichever is earlier. The first payment is due in September, 1997. If the Licensee's obligation is changed to a fixed obligation plus CPI, the first CPI adjustment will be made on the March 1st following the date Licensee's obligation was changed to a fixed obligation. For purposes of determining the value of the Telecommunications Tax, notwithstanding any contrary decision by a court or other provision of law that would adversely affect the City, the converted amount will not be less than the higher of 90% of (i) the highest Telecommunications Tax paid by Licensee, or (ii) the highest Telecommunication Tax that would have been paid had Licensee continued to calculate the tax owed in the manner it calculated the tax owed as of June 1, 1997. Licensee agrees that it will not claim that it was overpaying the Telecommunications Tax as of June 1, 1997, and agrees that it will not

change its methodology for calculating the tax in a manner that adversely affects the City, without the City's consent.

- (3) *Substitute for Consumer Price Index.* If the Consumer Price Index for Urban Areas is no longer published, then the parties agree that the inflation adjustment will be based upon the government-published inflation index that most closely approximates the Consumer Price Index for Urban areas.

TOTAL LICENSE FEES DUE TO THE CITY

This section of the Report discusses our analysis of the license fees due to the City. As outlined on the Executive Summary, it is our opinion that Cox underpaid license fees to the City for the review period by \$1,168,605. With interest charges of \$394,589 and audit costs of \$30,000; the total amount due to the City increases to \$1,593,194.

SUBSCRIBER REVENUES

Cox earns the substantial portion of its revenues from monthly cable television subscriber fees. Monthly subscriber revenues are generated from basic service, premium service, license fees, pay-per-view service, installations, guides, converter rentals, PEG fees, FCC regulatory fees, internet, late fees, non-sufficient funds fees, and other miscellaneous revenues. Cox stated that gross revenues were calculated on the accrual basis of accounting, and reported revenues to the City net of bad debt. A&S independently reconciled several quarters from the license fee payments to the revenue reports provided by Cox, utilizing the same methodology as Cox for reporting gross subscriber revenues to the City.

Total subscriber revenues calculated by A&S for the review period of \$252,479,272 are summarized in total on Line 19 of Table 1. Total subscriber revenues reported by Cox of \$250,408,855 for the review period are summarized in total on Line 19 of Table 1. The differences between the revenues reported by Cox and calculated by A&S are attributable to difference in revenues associated with Franchise Area 479, Bad Debt, Non-Sufficient Funds Fees and PEG Fees. Each of these categories of revenues is discussed below.

Franchise Area 479 (Item A)

Cox included Franchise Area 479 in the gross revenues reported to the City. During the course of the project, Cox identified that Franchise Area 479 includes only former Cable Plus properties. These properties are primarily condominiums and apartment complexes and are located outside the Tucson City limits. A&S obtained a listing of the properties and the corresponding street addresses and verified that they were located outside of the City limits. Based on our review, we excluded the revenues from Franchise Area 479 from the revenues reported to the City for the review period. The differences between the revenues reported by A&S and paid by Cox are shown on Lines 1 – 13 of Table 1.

Bad Debt (Item B)

Through January 2003, Cox allocated bad debt to the City utilizing the allowance for bad debt instead of the sum of the actual write-off and recoveries applicable to the City. A&S utilized the sum of the actual write-offs and recoveries for the entire review period.

In addition, Cox did not reduce the bad debt allocated to the City for any bad debt associated with internet and telephony revenues. As internet revenues were not included in the license fees reported to the City, the associated bad debt for these revenues should also be excluded. A&S calculated the percentage of the internet revenues to total subscriber revenues recorded on the income statements. A&S utilized this percentage to reduce the bad debt reported to the City. The difference is summarized on Line 15 of Table 1.

Non-Sufficient Funds Fees (Item C)

Cox did not include Non-Sufficient Funds (“NSF”) fees in the gross revenues reported to the City. According to Cox, NSF Fees have been collected from subscribers for the entire review period. Based on data provided by Cox, A&S included NSF fees for the entire review period. NSF Fees are summarized on Line 17 of Table 1.

Itemized Public, Education and Government Access Fees (Item D)

According to Cox, it has itemized a portion of its bill to reflect the amount it pays to the City to satisfy its PEG Fee obligations for a significant portion of the review period. Cox excluded the itemized PEG amounts from the gross revenues reported to the City. Based on data provided by Cox, A&S included the itemized PEG amounts collected for the entire review period. The itemized PEG amounts are summarized on Line 18 of Table 1.

NON-SUBSCRIBER REVENUES

During the review period, Cox included non-subscriber revenues generated from advertising revenues, home shopping, and other non-subscriber revenues. These categories of revenues were reported to the City on the accrual basis and obtained from the quarterly license fee reports provided by Cox.

A&S independently recalculated all non-subscriber revenues. These revenues are summarized in total on Line 26 of Table 1. A&S included all categories of non-subscriber revenues in the determination of license fees paid to the City for the review period, not just revenues from advertising, home shopping, and other revenues. The revenues were obtained from the income statement and other documents received from Cox. Each category of revenues is discussed below.

Advertising Revenues (Item E)

Cox Media is the advertising sales division of Cox Communications Inc. Cox Media provides advertising planning and buying services, research analysis, professional commercial production and exclusive promotions to advertising agencies and business owners.

Cox Media allocates a portion of its revenues to Cox Communications. The amount of revenues allocated to Cox Communications is gross revenues less all expenses. These net revenues are then allocated to Cox Communications and included in the revenues reported to the City for purposes of calculating franchise fees. Cox provided the following explanation for reporting the advertising revenues to the City net of all expenses:

Under Section 7A-2 of the Tucson Code, Cox Media is not (i) the licensee, (ii) any cable operator of the cable system, or (iii) an affiliate, subsidiary, parent or any person in which the licensee has a financial interest, that is not a cable operator but that is performing the normal functions and responsibilities of a cable operator. Therefore, advertising revenues received by Cox Media are not included in the definition of "gross revenues" under the cable ordinance and are not subject to the license fee under Section 5(a) of the Cox cable license. The only advertising revenues that are "gross revenues" under the Tucson ordinance and Cox license are those received by the licensee, Cox, from Cox Media. Cox has paid 100% of the license fee due on those revenues.

It is our opinion that all of the gross revenues recorded on Cox Media's financial statements should be reported to the City in accordance with the definition of gross revenues in the License Agreement. Based on the definition of gross revenues, all gross revenues from affiliated companies should be included in the gross revenues reported to the City. There is no basis for reporting advertising revenues net of any expenses. A&S has included all of Cox Media's advertising revenues in the gross revenues reported to the City. Advertising revenues are summarized on Line 20 of Table 1.

Home Shopping (Item F)

Home Shopping revenues were calculated by Cox by multiplying the revenues recorded on the Tucson income statement by an allocation percentage of subscribers. There were minor differences between the home shopping revenues calculated by A&S as compared to the revenues reported by Cox. Thus, the amount is considered immaterial for further pursuit. The difference is summarized on Line 21 of Table 1.

Cooperative Marketing/Launch Fees (Items G & H)

Cooperative Marketing payments are received for marketing expenses such as advertising inserts in monthly cable bills. Launch fees are payments from programmers used to buy or reserve capacity for certain channels on cable systems. Many cable operators record these amounts as contra-expenses, negative expenses, and do not recognize them as revenues. The definition of gross revenues states that

"Gross revenues" means all cash, credits, property of any kind or nature, or other consideration derived from the operation of the cable system to provide cable services by the licensee.....This definition is intended to be read to reach as broadly as possible to encompass all revenues, subject to only to the limitations imposed by federal law.

There is no exclusion of any cash payments from the above definition of gross revenues. It is our opinion that Launch Fees and Cooperative Marketing payments received by Cox should be included in the gross revenues reported to the City. A&S obtained Launch Fees and Cooperative Marketing payments from income statements, which were then allocated to the City based on the number of subscribers. Cooperative Marketing payments and Launch Fees are summarized on Lines 24 and 25 of Table 1.

INTEREST CHARGES (ITEM I)

In accordance with the Cable Communication License Agreement, interest charges are defined as follows:

(c) Payments. License fees shall be paid quarterly in accordance with the Cable Ordinance. In the event that a license fee payment or other sum due is not received by the City on or before the date due, or is underpaid, Licensee shall pay in addition to the payment, or sum due, interest from the due date at an annual rate equal to the maximum rate permitted under Arizona law, or 10% if no such rate is legally specified, compounded daily.

A&S calculated interest charges utilizing an annual interest rate of 10.00% in accordance with the License Agreement. A&S assumed that (1) the payment was due 30 days after the end of each quarter; (2) payment of the outstanding amount will be made on June 30, 2006; and (3) interest is compounded daily. If payment is subsequent to June 30, 2006, additional interest charges will accrue. Interest charges should then be recalculated based on when the actual payment is expected to be received. Interest charges are summarized on Line 32 of Table 1.

AUDIT COSTS (ITEM J)

In accordance with Section 18(e) of the Cable Communication License Agreement, charges for audits should be addressed as follows:

(e) Charges for Audits or Tests. In addition to any expenses Licensee must bear under subsections 18(a)-(b) of this Section, if an inspection or audit of licensee's records shows that Licensee underpaid the license fee by four percent or more for any payment period, Licensee shall reimburse City for all reasonable costs including expert fees arising from the inspection or audit, and any additional inspection or audit until it is determined Licensee is in full compliance....

A&S calculated that Cox has underpaid license fees by more than 4.00% of the amount due to the City for every quarter during review period. Thus, A&S has included audit costs for the review period.

TOTAL PEG FEES DUE TO THE CITY

This section of the Report discusses our analysis of the PEG fees due to the City. As outlined in the Executive Summary, it is our opinion that Cox underpaid PEG fees to the City for the review period by \$61,679, with interest charges of \$28,094; the total amount due to the City is \$89,773.

QUARTERLY PEG FEES

A&S reviewed the Quarterly PEG fee payments to the City for the review period from October 1, 2000 through September 30, 2005. It was noted that Franchise Area 407 was omitted from the Quarterly PEG fee payments from October 1, 2000 through September 30, 2004. In addition, Cox did not include the subscriber counts for Franchise Area 479, which were identified on Cox's subscriber reports as "102 Basic."

A&S calculated the Quarterly PEG Fee payments utilizing total subscriber counts (identified as 101 Basic and 102 Basic) for Franchise Areas 407, 430, 479 and 816. The subscriber counts are categorized by Cox as single family, commercial, and multifamily. The multifamily subscribers or multiple dwelling units (“MDUs”) are typically dwelling units such as apartments or hotels. Although MDUs may receive one cable bill, they are identified by Cox based on the number of individual users. Thus, the number of individual users was used to calculate the Quarterly PEG fees due to the City by both the City and Cox. A&S summarized the difference in the Quarterly PEG fees on Line 1 of Table 2. Interest charges are calculated using the same methodology as interest charges for license fees, and are summarized on Line 2 of Table 2.

MONTHLY PEG-INET FEES

A&S reviewed the Monthly PEG-INet fee payments to the City for the review period from October 1, 2000 through September 30, 2005. Cox began paying the PEG-INet fee effective October 2003. Prior to February 2005, the monthly PEG-INet Fees itemized on subscriber bills were reported to the City instead of the subscriber counts multiplied by the PEG-INET fee rate. Cox does not itemize the PEG-INet fee on all subscriber bills. Thus, the amount paid to the City was less than the actual subscriber counts multiplied by the PEG-INet rate. In addition, Cox did not include the subscriber counts for Franchise Area 479, which were identified on Cox’s subscriber reports as “102 Basic.”

A&S calculated the Monthly PEG-INet Fee payments utilizing total subscriber counts (identified as 101 Basic and 102 Basic) for Franchise Areas 407, 430, 479 and 816 multiplied by the appropriate PEG-INet fee rate from October 2003 through the remainder of the review period. A&S summarized the difference in the Monthly PEG-INet fees on Line 4 of Table 2. Interest charges are calculated using the same methodology as interest charges for license fees, and are summarized on Line 5 of Table 2.

CALCULATION OF MDUS

Beginning in October 2005, Cox began remitting Quarterly PEG fees and Monthly PEG-INet fees to the City based on calculated equivalent business units (“EBUs”) instead of the actual subscribers included in each multiple dwelling unit (“MDUs”). Thus, Cox is paying a lower amount for both PEG and PEG-INet fees to the City. In accordance with Section 7A-2. Definitions of the Tucson Cable Code, “subscriber” means a municipal corporation or person who lawfully receives any signal or service provided or distributed by a cable system licensee. It is our opinion that there is no basis for using EBUs instead of MDUs as each subscriber in an MDU is lawfully receiving cable service.

IMPACT OF ANALYSIS ON PERIODS OUTSIDE OF REVIEW PERIOD

There were several categories of revenues incorrectly reported in the determination of license fees paid to the City. Based on correspondence from Cox, it is reasonable to assume that these revenues may have been excluded from the license fees paid to the City for years outside of the review period, including current periods. The dollar impact of excluding these revenues would differ by year depending on the amount of revenues generated by the system. However, as noted in this report, the dollar amounts could be

greater when considering the impact of incorrectly reporting these revenues for the current year (and in future years).

- Bad Debt
- Non-Sufficient Funds Fees
- PEG Fee Revenues
- Advertising Commissions
- Cooperative Marketing
- Launch Fees
- Calculation of PEG Fees

RECOMMENDATIONS

A&S recommends that the City seek payment of the total amount due to the City. Additionally, A&S proposes the following recommendations with regard to future license fee and PEG fee payments:

1. Currently, Cox remits a quarterly license fee payment to the City without a schedule listing the gross revenues by category of service. A&S recommends that the City require that all future license fee payments provide a more detailed calculation supporting gross revenues. The calculation should list each category of revenues, and the allocation method utilized for non-subscriber revenues.
2. The City should request that Cox maintain all financial records related to the determination of license fees in the event that the City decides to review additional years at a later date. The dollar impact of the understatement of the revenues identified in this report may have been greater if other years had been reviewed or were under consideration.
3. A&S recommends that the City research the Quarterly PEG fees and Monthly PEG-INet fees payments and calculations subsequent to this review period, and take immediate steps to ensure that Cox uses an appropriate method for calculating the fee owed. It is our opinion that it is appropriate to utilize MDUs and not EBUs for the purpose of determining PEG fee payments to the City.

TABLES