



**A Report to the Citizens
of Salt Lake County, the County Mayor
and the County Council**

October 2007

A Performance Audit of the

**Salt Lake County Zoo, Arts,
and Parks Program**

Jeff Hatch

Salt Lake County Auditor

A Performance Audit
of
The Salt Lake County Zoo, Arts & Parks Program

October 2007

JEFF HATCH
Salt Lake County Auditor

JAMES B. WIGHTMAN, CPA
Director, Internal Audit

LARRY DECKER, CPA
Assistant Director, Internal Audit

Audit performed by:

Celestia Cragun, MBA, CFE

Table of Contents

I.	Executive Summary	1
II.	Introduction.....	5
III.	Scope and Objectives.....	6
IV.	Findings and Analysis.....	7
1.0	History and Trends of the ZAP Program in Salt Lake County	7
1.1	Voter approval for ZAP has increased since the program’s initial inception in 1997.	8
1.2	ZAP revenues from the tax levy have increased 57.5 percent since program inception, but are expected to decrease in 2008.....	9
1.3	RECOMMENDATION:	10
1.4	Organizations in 12 of 16 Tier I disciplines have been receiving funding since program inception	10
1.5	Organizations that have moved from Tier I to Tier II have received less funding.	12
2.0	The Application and Funding Process.	12
2.1	Funding was correctly allocated to each of the four groups.	13
2.2	Qualifying Tier I and Tier II organizations were awarded their ZAP funding level once a year following their approval through an application process.....	13
2.3	All applications reviewed met guidelines in State Statute for disbursement of ZAP funds	14
2.4	All organizations have certified financial statements on file as required	15
2.5	The timetable for disbursement of funds was confusing and not conducive to planning needs of recipient organizations	16
2.6	Option for Consideration	18
3.0	Tier I, Tier II, and Zoological Advisory Boards.....	18
3.1	Advisory Board membership composition meets specifications outlined in State Statute	19
3.2	Conflict of Interest Statements were on file for each Advisory Board member	19

A Performance Audit of

The Salt Lake County Zoo, Arts & Parks Program

The County Option Funding for Botanical, Cultural, Recreational, and Zoological Organizations or Facilities was passed by the Utah Legislature in 1996 and passed by the citizens of Salt Lake County the same year.

I. Executive Summary

Background

The Zoo, Arts and Parks (ZAP) Program has been in existence in Salt Lake County since 1997 following voter approval of a sales tax dedicated to financial support of botanical, zoological, cultural, and recreational organizations. One of the purposes of this legislation was to provide predictable support for zoological and large cultural organizations, and enhance operational support for small cultural organizations.

As designated in State Statute, the County allocates ZAP tax revenues to recreational, zoological and Tier I and Tier II cultural and arts organizations. These four categories and the percentage of revenues allocated to each are as follows:

Tier I – 48-7/8%
Tier II – 9%
Zoological – 12-1/8 %
Recreational – 30%

Our audit was limited to a review of funding for zoological, cultural and arts organizations and did not include the recreational component. We found the ZAP Program to be in compliance with regulations set forth in State Statute and Countywide Policy and have no findings to report to the contrary.

Funding for Tier I or large cultural organizations is awarded as a percentage of the average qualifying expenses for the three previous years compared against other organizations applying in Tier I. Therefore, organizations with higher qualifying expenses receive more funding than those with lower expenses. Prior to being reviewed by the Advisory Board, the ZAP Program Manager and an independent CPA review qualifying expenses to ensure that all expenses meet qualifications. A maximum of 23 organizations can qualify for the Tier I category. Tier II organizations are smaller cultural groups where any number of organizations may apply for funding.

Zoological organizations must be accredited by the American Zoo and Aquarium Association within the last five years. If an organization loses that accreditation, they must include in their application the reason for the loss of accreditation, and steps planned to address the reasons for the loss.

Advisory Boards exist at both Tier I and Tier II levels to review and approve applications. The County Council appoints board members. The Tier I Board must include two members of the Utah Arts Council, and the Tier II Board must include mayors from two County municipalities.

The Tier I Advisory Board reviews applications for zoological organizations. The 12-1/8 percent of tax revenue received for zoos is divided between the qualifying organizations, the larger organization receiving 94.5 percent and the smaller organization receiving 5.5 percent.

Findings and Analysis

The principle findings of the audit are:

- *Voter approval for ZAP has increased since the program's initial inception in 1997, as illustrated by the 2004 vote.*
- *ZAP revenues from the tax levy have increased 57.5 percent since program inception, but are expected to decrease in 2008.*
- *Organizations in 12 of 16 Tier I disciplines have been receiving funding since program inception.*
- *Organizations that have moved from Tier I to Tier II have received less funding.*
- *Qualifying Tier II organizations are awarded their funding level once a year following approval through an application process.*
- *All applications reviewed met guidelines in Countywide Policy for disbursement of ZAP funds.*
- *All organizations had certified financial statements on file as required.*
- *The timetable for disbursement of funds was confusing and not conducive to the planning needs of organizations.*
- *All members of both Advisory Boards completed a Conflict of Interest Statement and that statement was on file at the ZAP Program Office.*

Voter approval for ZAP has increased since the program's initial inception in 1997, as illustrated by the 2004 vote. The initial ZAP legislation was introduced in 1993 by 10 State Senators, the majority of them from Salt Lake County. The bill that passed allowed counties to ask voters in a ballot initiative whether they favored a 1/10 of 1 percent sales and use tax for

With the addition of recreational facilities to the bill, the ZAP Proposal was passed by the citizens of Salt Lake County in 1996.

ZAP revenue has increased 57.5 percent from 1997 to 2006 but is expected to decline slightly in 2008.

botanical, cultural and zoological organizations. Salt Lake County voters rejected this initial measure.

In 1996, the Legislature amended the wording of Utah Code Ann. §59-12-701 et. seq. (Utah Code), by adding recreational facilities to the list of organizations that would receive funds from this tax. With this change, the citizens of Salt Lake County voted to adopt it, and the ZAP tax levy started in 1997.

In 2004, voters opted to continue the program for 10 additional years. This time the proposal passed with a much higher percentage, indicating that County citizens recognized program benefits and were willing to provide continued funding for cultural, botanical and zoological organizations with assessment of a tax.

ZAP revenues from the tax levy increased 57.5 percent since program inception, but are expected to decrease in 2008. ZAP revenues have increased 57.5 percent from \$12,762,493 in 1997 to \$20,104,631 in 2006. It is expected that revenue will decrease approximately \$2 million in 2008 due to Legislation that reduced sales tax on food. With the reduction, the amount available will be less than 2006 and 2007, but still more than 2005 and previous years.

Organizations in 12 of 16 Tier I disciplines have been receiving funding since program inception. Utah Code defines 16 different disciplines under which a Tier I organization may apply for funding. Tier II organizations have the same disciplines as Tier I with the addition of a category in “history.” We found that discipline representation remained fairly steady in Tier I and 16 of the 23 organizations in Tier I have been receiving funding each year since the program started.

Organizations that have moved from Tier I to Tier II have received less funding. There has been some migration from Tier II to Tier I as organizations have grown and reported more qualifying expenses. A few organizations have moved from Tier I to Tier II since the 2003 Legislature capped the number of Tier I organizations at 23.

Qualifying Tier II organizations are awarded their ZAP funding level once a year following approval through an application process.

Organizations are required to submit an application each year and are approved for funding only once in a year. Tier II organizations, prior to 2005, were awarded funds twice a year, once following the January to June tax revenue receipt, and again following the July to December tax revenue receipt. In 2005, there was a “transition” application period where for the first time, all Tier II applications were reviewed and funding levels awarded at the same time. In 2006, 60 percent of the funding awarded was paid to Tier II organizations in late fall for the previous January to June revenue period and the remaining 40 percent in March 2007 for the July to December revenue period.

Organizations requesting more than \$10,000 must submit a certified financial statement and those requesting more than \$50,000 must submit certified financial statements for the three previous years.

All applications reviewed met guidelines in Countywide Policy for disbursement of ZAP funds. Countywide Policy #1031 “County Option Funding for Zoological, Cultural and Botanical Organizations Known as the Zoo, Arts and Parks Program (ZAP),” lists guidelines for the application process, including receipt of revenue from the tax prior to any disbursement and the requirement that all organizations receiving ZAP money be either a non-profit organization or a municipal or county cultural council. We reviewed 235 applications and found that all of them met guidelines set forth in Policy #1031. The policy also includes information on timing for disbursement of funds, organization type and application period. Funds were disbursed to qualifying organizations only after the County received them as tax revenue. Money was not disbursed to any organization prior to being received by the County. All applications were submitted by either a non-profit group or municipal or county cultural council.

All organizations had certified financial statements on file as required. If Tier II organizations request less than \$10,000 they may apply without submitting certified financial statements. Certified financial statements must accompany Tier II applications with requests for more than \$10,000. All organizations requesting more than \$50,000 are required to submit certified financial statements for the immediately preceding three years. Organizations must declare how they intend to use ZAP funds and those organizations awarded funds are required to submit an evaluation on how funds were spent. ZAP funding may not be used for expenses not related to the ZAP mission.

The timetable for disbursement of funds was confusing and not conducive to the planning needs of organizations. Currently, Tier I, Tier II, and zoological applications are received in the spring, funds are awarded in the summer, and monthly disbursement are made in late summer or early fall and continue through spring of the following year.

This late-year timing creates difficulty in the budget process for organizations receiving funds. Because application approval occurs the same year in which funds are disbursed, organizations cannot accurately project their revenues. And, since funds are not disbursed to organizations until later in the year, events or activities related to the funding may have already taken place. Approval of funding prior to the year in which disbursements are made to zoological, cultural and arts organizations would create a more efficient process and allow these groups to more closely anticipate their funding levels for the coming year.

All members of both Advisory Boards completed a Conflict of Interest Statement and that statement was on file at the ZAP Program office. Advisory Board members are required to disclose any relationship they have with any organization applying for ZAP funding and have complied with this requirement.



Abravanel Hall, Capitol Theatre

II. Introduction

The Zoo, Arts, and Parks (ZAP) Program consists of four sections: Tier I or large cultural organizations, Tier II or small cultural organizations, zoological organizations, and recreation facilities. We chose to focus this performance audit on Tier I and Tier II organizations and zoological facilities and have not included the recreational facilities. However, we will refer to the recreation portion of the program in general terms.

The ZAP Program is under management of the Community Services department and is administered by a Program Manager. The first ZAP Program Manager was in office for two years, the second for five years, the third and fourth for three months each, and the fifth and current manager has been in her position since late 2005. No Program Manager was in place for the selection process in 2005, and therefore the Assistant Director of Community Services administered the program that year.

Salt Lake County has two instruments to address the ZAP Program, Salt Lake County Ordinance No. 1545 (Chapter 3.07.060F, updated February 20, 2007) and Countywide Policy #1031, "County Option Funding for Zoological, Cultural and Botanical Organizations Known as the Zoo, Arts & Parks Program," passed in 2000 and updated February 20, 2007, to provide guidelines for the ZAP Program. These instruments have also been updated for changes to the Utah Code.

The number of Tier I organizations receiving funding each year is limited by Statute to 23. According to Utah Code, § 59-12-704, Tier I organizations qualify by being a botanical or cultural organization with average annual operating expenses of more than \$250,000. The expense requirement may be indexed every year to keep pace with inflation and must be approved by the Salt Lake County Council after presentation by fiscal personnel. The last indexing took place in 2007 and set the expense requirement at \$310,600.

After the Advisory Board has made awards to the organizations, each organization must sign a contract with the County setting forth the obligations and expectations. The contracts go through the same process as any contract with the County and are binding on both parties. The ZAP Program provides two "signing" days after the funds are awarded so that all signatures required can be obtained without numerous meetings.

Utah Code §59-12.705 states that any organization that receives monies from the ZAP tax and that periodically offers a waived or discounted admission fee is required to make the discount or free admission available to all residents of the State and not just the citizens of the County in which the tax is imposed. The ZAP Program website offers a link to free cultural events offered by organizations in the County that receive ZAP funding.

III. Scope and Objectives

This audit was initiated to examine the ZAP Program as it has been in force for 10 years. We examined a number of areas, including the receipt of ZAP funds resulting from the 1/10 of 1 percent addition to sales tax as approved by the State Legislature and subsequently, by Salt Lake County voters in 1996.

Because the ZAP Program has been in existence for 10 years, we initiated this audit to review processes in place and determine if the program was operating as intended by Statute. We studied Utah Code §59-12-701, et. seq., Chapter 3.07 of the Salt Lake County Code of Ordinances, and Countywide Policy #1031 “County Option Funding for Zoological, Cultural and Botanical Organizations Known as the Zoo, Arts and Parks Program (ZAP),” for program requirements. We reviewed revenues from this tax and followed that revenue through to disbursement to qualifying organizations. We looked at the application process and examined all Tier I applications for five years, Tier II applications for one complete year and a sample of applications in remaining years back to 1997. We attended two Tier II Advisory Board meetings to become familiar with the selection process.

We reviewed the application process for Tier I, Tier II, and zoological organizations to verify completeness of applications and that required supplemental paperwork was submitted. We examined trends in revenue and disciplines for years 1997 to 2006. We reviewed the composition of both Tier I and Tier II Advisory Boards and determined the presence of Conflict of Interest Statements for all members of those boards.

The scope included:

- A review of State Statutes and County Ordinances and Policies to ascertain that ZAP funds were awarded fairly, properly and as intended by the citizens of the County.
- An assessment of the sales and use tax revenue received by the County and the process by which that revenue was disbursed to organizations awarded funds.
- An evaluation of the process by which organizations applied for ZAP funding, including the application, supplemental documents required, and evaluation of funds used by each organization.

- An analysis of the Advisory Boards to determine the composition of the boards and if the boards carried out their responsibilities as defined in State Statute.
- An examination of the disciplines to which organizations receiving ZAP funding belong to discover the distribution of organizations within each discipline over the 10-year period.

Our work was designed to achieve the following:

- Verify that organizations received ZAP funding as awarded by Advisory Boards and as outlined by State Statute.
- Confirm that the application process was fair and that all applications included supplemental paperwork, were submitted on time, and were followed by an evaluation of the use of the funds awarded.
- Validate the percentage of the tax revenue received by the County and awarded to Tier I, Tier II, and zoological organizations.
- Confirm that the Advisory Boards were represented appropriately, that Conflict of Interest Statements were on file, and that the boards performed their duties as outlined in the Statute.

IV. Findings and Analysis

We have no exceptions to report to compliance of ZAP program operations with established regulations as set forth in Countywide Policy #1031, "County Option Funding for Zoological, Cultural and Botanical Organizations Known as the Zoo, Arts and Parks Program (ZAP)." Therefore, our report describes the history, organization, and function of the ZAP Program.

Our report is divided into three sections: 1) History and Trends of the ZAP Program in Salt Lake County, 2) The Application and Funding Process, 3) Tier I, Tier II, and Zoological Advisory Boards.

1.0 History and Trends of the ZAP Program in Salt Lake County

The history of ZAP funding is marked by legislative measures passed in 1993, 1996, 2003 and 2006, and by initiatives presented to voters. Voters initially rejected a measure that included a tax to benefit arts, cultural and zoological programs, but later approved it when recreation organizations were included. The tax has been in effect, and qualifying organizations have been receiving funding since 1997. Our findings related to the history of and trends in ZAP funding are as follows:

- *Voter approval for ZAP has increased since the program's initial inception in 1997, as illustrated by the 2004 vote.*
- *Zap revenues from the tax levy have increased 57.5 percent since program inception, but are expected to decrease in 2008.*
- *Organizations in 12 of 16 Tier I disciplines have been receiving funding since program inception.*
- *Organizations that have moved from Tier I to Tier II have received less funding.*

1.1 Voter approval for ZAP has increased since the program's initial inception in 1997, as illustrated by the 2004 vote.

When the ZAP tax referendum received voter approval in 1996, the vote was 57.87 percent in favor and 42.13 percent against. It allowed the tax to remain in effect for 10 years after which another ballot initiative was required to renew it for another 10 years. Seventy-one percent of voters approved continuance of the tax in the subsequent vote in 2004.

The history of ZAP tax began in 1993 when the State Legislature passed a measure giving counties the option of assessing a 1/10 of 1 percent sales and use tax to help fund botanical, cultural and zoological organizations. Seven of the 10 sponsors of the 1993 Senate Bill were Republicans, and seven of the 10 sponsors represented districts in Salt Lake County. The remaining three sponsors included two Davis County Senators and one Utah County Senator. The bill did not automatically assess the sales tax but allowed the citizens of each county to vote on the subject. Only two counties in the State put the matter on the ballot, Salt Lake County and Iron County. The referendum failed in both counties.

In 1996, the Legislature introduced and passed a measure that included recreational organizations in the ZAP funding mix. This bill was sponsored by eight Republicans and two Democrats. Five of the Senators represented Salt Lake County, two represented Weber County, and one Senator each represented Box Elder, Davis, and Utah Counties. With this modification, the proposal was again brought before Salt Lake County voters and this time received approval.

In 2003, an amendment to the Statute limited the number of entities receiving Tier I funding to 23. This limit was deferred until 2006, thereby allowing Tier I organizations time to develop strategies to adapt to the potential reduction of funding. Limiting the number of Tier I organizations to 23 also brought a change in Tier II applications to a format similar to Tier I. With the limit of Tier I organizations to 23, some organizations would be bumped to Tier II status, thus requiring a more uniform application between the two.

1993 Legislation that did not include recreational funding was not passed by Salt Lake County voters.

An amendment in 2003 limited Tier I funding to 23 organizations.

A change in 2006 allowed additional organizations to qualify for zoological funding.

In 2006, the Statute was again changed to reduce the audience required for zoological facilities. In the 1996 bill, to qualify in the zoological category, an organization was required to have an audience of 500,000 or more per year. The 2006 bill lowered that requirement to 75,000 in first class counties only, and thereby allowed other organizations to qualify in the zoological designation. Salt Lake County is the only first class county in the State of Utah. The bill included payout of the 12-1/8 percent zoological portion to no more than three organizations with 94.5 percent going to the organization with operating expenses of greater than \$2,000,000 and 5.5 percent to organizations with operating expenses less than \$2,000,000. Presently in Salt Lake County, only two organizations qualify in the zoological section, Hogle Zoo and Tracy Aviary. If, in the future, there are three organizations in this category, division of funds would depend on the audience of the qualifying organization.

In November 2006, Salt Lake County voters were asked to allow Salt Lake County to issue up to \$65 million in general obligation bonds to construct and renovate various recreational facilities throughout the County. This bond was to be repaid with ZAP Program revenue. Salt Lake County officials mailed a brochure to voters regarding the vote, called "Proposition 1 ZAP Recreation Projects." Voters had previously authorized ZAP Program for another 10 years, which allowed for continued allocation of 30 percent of ZAP tax revenues to recreational facilities.

The County designated 24 projects to receive ZAP money and presented these projects in an informational pamphlet sent to voters. The pamphlet pointed out that if voters approved the bonds, the capital projects would be completed by 2009, but if bonding was not approved, funding for the projects would stretch out the entire 10 years. With passage of the proposal, the County would be able to build projects simultaneously and construction costs would be locked in at current prices. If the bond proposal failed, there was a possibility that with increased construction prices, some of the planned facilities and repairs would not occur.

1.2 ZAP revenues from the tax levy have increased 57.5 percent since program inception, but are expected to decrease in 2008.

ZAP revenues have increased 57.5 percent since 1997 but are expected to decrease in 2008.

ZAP revenues have generally increased over the years. However, total revenue decreased in 2002 and again in 2003. Table 1 on page 10 illustrates ZAP tax revenues received from the 1/10 of 1 percent of sales and use tax each year since the proposition passed in 1996. Revenue decreased in 2002 and 2003 but increased noticeably in 2004 and again in 2005 and 2006. Interest income decreased in 1998 and again from 2001 through 2004, even though total revenue decreased in only two of those years. Annual percentage changes in ZAP tax revenue and interest are shown in Table 2 on page 10.

In 2008, ZAP revenues are anticipated to decrease about \$2 million due to reduction of sales tax charged on food. The ZAP Program has estimated that

there will be an approximately 10 percent decrease in revenue available for awards.

ZAP Sales and Use Revenue Received at Salt Lake County 1997-2006					
	1997	1998	1999	2000	2001
Tax	12,762,493.93	14,226,813.75	14,643,395.47	15,511,018.12	15,593,296.46
Interest	164,645.93	128,703.96	143,839.96	188,237.47	149,680.41
Total	12,929,136.86	14,355,517.71	14,787,235.43	15,699,255.59	15,742,976.87
	2002	2003	2004	2005	2006
Tax	15,361,449.75	15,207,253.85	16,293,983.59	17,680,065.38	19,995,638.87
Interest	70,416.60	37,470.07	21,608.98	60,798.40	108,992.15
Total	15,431,866.35	15,244,723.92	16,315,592.57	17,740,863.78	20,104,631.02

Table 1. Yearly ZAP revenue has increased nearly \$7.5 million since program inception in 1997.

Percentage of Increase/Decrease in ZAP Revenue and Interest 1997-2006										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Tax	100%	11.47%	2.93%	5.93%	0.53%	-1.49%	-1.00%	7.15%	8.51%	13.10%
Interest	100%	-21.83%	11.76%	30.87%	-20.48%	-52.96%	-46.79%	-42.33%	181.36%	79.27%
Total	100%	11.03%	3.01%	6.17%	0.28%	-1.98%	-1.21%	7.02%	8.74%	13.32%

Table 2. ZAP revenue has increased 57.7 percent since program inception in 1997.

1.3 RECOMMENDATION:

We recommend that Zap administrators continue to advise current recipient organizations of any anticipated decrease in ZAP funding.

1.4 Organizations in 12 of 16 Tier I disciplines have been receiving funding since program inception.

To receive ZAP funding, an organization must fulfill the description of one of the disciplines set forth in Countywide Policy. These disciplines are shown on page 11 in Table 3 for Tier I organizations, and Table 4 on page 11 for Tier II organizations. These tables also show yearly trends in the number of organizations within each discipline that are receiving funding.

Tier I funding has remained steady in 12 of 16 disciplines since program inception.

Tier I Disciplines										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<i>Architecture</i>	1	1	1	1	1	1	1	1	1	1
<i>Arts Education</i>										
<i>Botanical</i>	1	1	1	1	1	1	2	2	1	1
<i>Dance</i>	4	4	4	4	4	5	5	5	5	5
<i>Folk Art</i>										
<i>Humanities</i>	1	1	1	1	1	1	1	1	1	1
<i>Interdisciplinary/ Performance Art</i>										
<i>Literature</i>										
<i>Local Arts Agency</i>										
<i>Media Arts</i>	1	1	1	1	1	1	1	1	1	1
<i>Multi-Disciplinary</i>	1	1	2	2	3	3	3	3	3	2
<i>Music</i>	3	3	3	3	3	3	3	2	1	2
<i>Natural History</i>	2	2	2	2	2	2	2	2	3	2
<i>Presenting Organizations</i>	1	1	1	2	2	2	2	2	3	2
<i>Theatre</i>	2	2	2	2	2	4	4	4	4	4
<i>Visual Arts</i>	2	2	2	2	2	2	2	2	2	2
Total	19	19	20	21	22	25	26	25	25	23
<i>Zoological</i>	1	1	1	1	1	1	1	1	1	2

Table 3. Funded disciplines have remained nearly the same for the 10-year history. Four disciplines have no representation in funding awarded.

Tier II Disciplines										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<i>Architecture</i>			1	1	1					
<i>Arts Education</i>	3	3	5	6	5	4	6	4	4	6
<i>Botanical</i>	3	2	2	3	2	1	1	1	2	2
<i>Dance</i>	6	5	5	6	6	6	7	5	4	6
<i>Folk Art</i>	5	12	12	9	5	1	2	2	3	4
<i>History</i>	1	3	2	3	3	4	5	4	5	7
<i>Humanities</i>	1	4	3	3	3	2	2	1	1	2
<i>Interdisciplinary/ Performance Art</i>	0	1	2	2	2	2	2	2	2	2
<i>Literature</i>	2	3	3	3	3	4	4	4	4	5
<i>Local Arts Agency</i>	8	7	10	10	9	9	10	7	11	10
<i>Media Arts</i>					1	1	1	1	1	1
<i>Multi-Disciplinary</i>	11	10	9	14	15	11	11	13	17	16
<i>Music</i>	14	22	21	22	26	21	23	26	26	31
<i>Natural History</i>	1		1	1	1	1	1	1	1	1
<i>Presenting Organizations</i>	1	2	2	1	1	1	1	1	2	3
<i>Theatre</i>	5	6	7	8	7	8	9	7	12	11
<i>Visual Arts</i>			3	1	1	1	1	3	3	4
Total	61	80	88	93	91	77	86	82	98	111

Table 4. The numbers of organizations in particular disciplines have changed in the 10-year history and the number of organizations receiving funds has almost doubled since the beginning of the program.

County Policy does not prescribe amounts that should be awarded to each discipline. The number of organizations in each Tier I discipline has remained fairly similar throughout the 10-year period. In the initial year of the program, only 19 organizations applied and were granted awards. The number of organizations receiving funds in Tier I increased steadily until it reached a maximum of 26 in 2003. As already mentioned, amendments to State Statute in 2003 limited Tier I organizations to 23, beginning in 2006, which caused some organizations previously qualifying for Tier I status to be considered in

Some organizations have moved between Tier I and Tier II designation.

Tier II. The Advisory Boards made every effort to recommend that funding for organizations moved from Tier I to Tier II remained close to what would have been received had they qualified for Tier I.

1.5 Organizations that have moved from Tier I to Tier II have received less funding.

A review of organizations that transitioned from Tier I to Tier II showed that four of the five organizations so changed received less in Tier II than they had previously received in Tier I. In some cases, this may be explained by the fact that qualifying expenditures decreased for these organizations. However, in other cases funding was limited by the Tier II formula that requires no organization may receive more than seven percent of the total amount funded for Tier II. Alternatively, three organizations moved from Tier II to Tier I, and funding for these organizations increased significantly. Again, this may be due more to an increased amount of qualifying expenses rather than the transition from Tier II to Tier I,

Fifteen of the current 23 Tier I organizations have been designated as such for the entire 10-year period. Friends of Tracy Aviary was Tier I for nine years but with the change in the Statute in 2006, they qualified for zoological funds and dropped out of Tier I funding. The amount Tracy Aviary received in 2006 was less than they had received the previous year, but their move to the zoological category should provide greater funding in the future.

2.0 The Application and Funding Process.

Organizations may apply each year for either Tier I, Tier II, or zoological funding. A qualifying organization is a zoological, botanical or cultural organization as defined in Utah Code Ann. § 59-12-701, et. seq. that is a non-profit group or a municipal or county cultural council, meets the purpose of the Statute, and has a primary purpose that is consistent with the definitions for a zoological, cultural or botanical organization as described in the Statute. Our findings in the application process are shown below.

- *Funding was correctly allocated to each of the four groups.*
- *Qualifying Tier I and Tier II organizations are awarded their ZAP funding level once a year following approval through an application process.*
- *All applications reviewed met guidelines in Countywide Policy for disbursement of ZAP funds.*
- *All organizations had certified financial statements on file as required.*

- *The timetable for disbursement of funds was confusing and not conducive to planning needs of recipient organizations.*

2.1 Funding was correctly allocated to each of the four groups.

Tier I, Tier II, zoological and recreational entities were receiving the appropriate percentage as provided in Statute § 59-12-701. The majority of the money is divided among Tier I and Tier II cultural and arts organizations. Table 5 below shows the allocation of revenue to each group. The percentage of funding to Tier I, Tier II and zoological groups changed slightly in 2006. Percentage allocations to each group, both before 2006, and after 2005, are also shown in Table 5 below.

Percent of Funding		
	1997-2005	2006
Tier I	52.5%	48-7/8%
Tier II	5%	9%
Zoological	12.5%	12-1/8%
Recreation	30%	30%
	100%	100%

Table 5 *Tier II organizations receive more funding now than they did prior to 2006.*

A review of the 10 years of the ZAP Program shows that in earlier years, the percentages were not exactly as prescribed by Statute, but varied only slightly from the requirement. In 2002, there was an overpayment of interest to Tier I organizations. These amounts were deducted from the payments in the next year, making the totals right.

The required 30 percent is provided for qualified recreational facilities. This is transferred in June of each year by a fund transfer journal voucher. Part of the 30 percent goes to debt service of the bond and the remainder goes to Parks and Recreation. Many of the recreational facilities are not self-supporting and part of the 30 percent goes to subsidize those facilities.

2.2 Qualifying Tier I and Tier II organizations were awarded their ZAP funding level once a year following approval through an application process.

Public notification of application forms, deadlines and Advisory Board meetings are required. The ZAP Program is required to notify the public of the date, time, and place of availability of application forms, application deadlines, and all Advisory Board meetings. The ZAP Program has its own website where pertinent dates are displayed. Additionally, workshops are provided on the process for completing applications and all organizations are encouraged to attend. Notices also appear in local media and are sent to local zoological, cultural and botanical organizations.

Applications appear on ZAP website and workshops are held to assist organizations in applying.

Tier I, Tier II and zoological groups apply in the spring for money received in that same year. Applications appear on the ZAP website along with a detailed application guide that walks the organization through each question. Organizations have the option of hand-carrying the application to the ZAP office by the deadline date at 5:00 p.m. or mailing it with the postmark date being the deadline date. Applications have evolved over the years. In the earlier years, the requirements for each tier were quite different and Tier II applications that were three pages long are now eight pages. An Advisory Board, one for Tier I organizations, and another one for Tier II organizations, review all applications and make recommendations for approval and funding.

2.3 All applications reviewed met guidelines in Countywide Policy for disbursement of ZAP funds.

We reviewed 235 applications and found that all of them met guidelines set forth in Policy #1031, including timing for disbursements of funds, organization type and application period. Below are some of the general guidelines for receiving ZAP funding.

Applications must be accurate, complete and on time.

Applications must be accurate, complete, and on time. No late submissions are accepted. Advisory Board meeting minutes we reviewed verified that funding was denied because applications were not complete or were not submitted by the deadline. If the ZAP Program contacts one organization whose application is incomplete, they must notify every organization with similar problems; however, notification of an incomplete application is not required. Applications were date stamped when they were received in the ZAP office and the deadline was strictly enforced. If an application was mailed, the post mark was accepted as proof of submission on time.

Organizations must declare how they intend to use the ZAP funds. The Advisory Board compares this plan to an evaluation that organizations are required to submit after the year is completed, or after the event for which the funds were awarded is completed.

Tier I and zoological organizations must include the evaluation with their next application. Tier II organizations have until January of the year after funds are received to submit the evaluation.

ZAP funding may not be used for expenses not related to the ZAP mission. They are not available to the general public, or for activities outside of Salt Lake County boundaries. Advisory Boards were strictly enforcing this guideline and denied funding for applications that did not outline appropriate fund use.

Funds are distributed only after received by the County.

Funds were disbursed to qualifying organizations only after the County received them. ZAP funds were paid in accordance with this requirement. In the 10-year period of the fund's existence, money was not disbursed to any organization prior to being received by the County.

Groups that receive funding must be either a non-profit organization or a municipal or county cultural council. All applications require a copy of the organization's 501(c)(3) letter from the Internal Revenue Service. This requirement was fulfilled if the applying organization had a letter on file from previous applications.

Organizations may apply only once per year. Prior to 2005, Tier II organizations were allowed to apply more than once in a year, but were allowed to receive funds only once in an application year.

Certified zoological facilities may apply for and receiving funding. According to Policy #1031, zoological funding is to be used to "build organizational capacity, fund zoological facilities, to create stability and to provide adequate predictable support." Any organization applying under this designation must have been accredited by the American Zoo and Aquarium Association within the last five years. If an organization has been accredited and loses that accreditation, the organization must provide, with their application, an explanation for the loss of that accreditation and written plans to address the reasons for the loss.

At the present time, two organizations meet the guidelines for zoological facilities, but the Statute allows up to three organizations to have the zoological designation. Dividing the funding for zoological facilities is only provided for in counties of the first class, of which Salt Lake County is the only one in Utah. Other counties in the State may distribute the entire 12-1/8 percent zoological portion to one organization. The Tier I Advisory Board reviews the applications from zoological organizations and allocates 94.5 percent of the 12-1/8 percent received to zoological organization with expenses greater than \$2,000,000. The remaining 5.5 percent is awarded to an organization with expenses less than \$2,000,000. Currently, two organizations in Salt Lake County are funded, Hogle Zoo and Tracy Aviary.

2.4 All organizations have certified financial statements on file as required.

A certified financial statement from the previous year must be submitted when applying for \$10,000. Those applying for more than \$50,000 must submit three years' certified financial statements

All Tier I organizations, zoological organizations, and Tier II organizations requesting more than \$50,000 must provide certified financial statements for the previous three years, and Tier II organizations requesting more than \$10,000 but less than \$50,000 are required to include one certified financial statement for the previous year. Financial statements must be attested by a certified public accountant or firm licensed in the State of Utah. Organizations requesting more than \$10,000 but which do not submit the required certified audit, will not be awarded more than \$10,000, regardless of their request. This amount was raised to \$10,000 from \$7,500 in 2006.

One of the important requirements of zoological and Tier I organizations, and Tier II organizations that request more than \$50,000 in funding, is that each applying organization submit three years of qualifying expenses. Qualifying expenses are the organization's expenditures for ongoing operations for an

identifiable fiscal year, documented by official audit records, minus the following expenditures which are considered non-qualifying:

- Capital constructions expenses.
- Payments into endowments funds.
- Expenditures for programs conducted outside of Salt Lake County.
- Fundraising expenses related to capital or endowment campaigns.
- Repayments of loans and/or interest.
- Tier I and zoological rent payments in excess of prescribed percentages.
- In-kind services.
- Expenditures for direct political lobbying on all levels.
- Salary expenditures greater than \$95,000 per individual.
- Grants to outside groups, etc.
- Gift shop and concession expenses.
- Bad debt expenses.
- Depreciation and amortization of any asset.
- Non-deductible tax penalties.
- Unrelated business income tax.
- ZAP funding allocated in previous years.
- Non-Salt Lake County activities and expenditures.
- Other expenses not related to the organization's primary purpose.

Qualifying expenses are averaged over three years to determine percentage awarded.

Funding for Tier I organizations is determined by percentage of annual qualifying expenditures for the three years prior to the application. The ZAP application provides instructions to the organization on how to calculate qualifying expenses. Prior to submission to the Advisory Boards, applications are reviewed by the Program Manager and an independent CPA. Subsequent to their review, it may be determined that some expenses listed may or may not be qualifying expenses.

2.5 The timetable for disbursement of funds was confusing and not conducive to planning needs of recipient organizations.

Organizations apply each spring for funding received later that same year. In 2007, the applications deadline for Tier I was March 30 and for Tier II was May 4. Because funds cannot be disbursed prior to receipt by the County, funding is generally delayed several months. Also, no funds can be released until the awards are approved by the Salt Lake County Council and contracts are prepared and signed by all parties.

Tier I organizations are awarded funds on a percentage basis. Tier II have typically been awarded a set amount.

Tier I organizations are awarded funds on a percentage basis and Tier II organizations are typically awarded a set amount, except in 2005, when Tier II also received a percentage of revenues. In order to determine the appropriate percentage, qualifying expenses of applying organizations are compared against one another and the top 23 organizations are selected for Tier I funding. Qualifying expenses for each organization are divided by the qualifying expenses of the top 23 organizations. Resulting percentages are the

amount of Tier I funding that each organization will be awarded. Typically, Tier I organizations begin receiving funds soon after the contract is signed. Since inception of the ZAP tax in 1997, payments have been made to organizations on a piecemeal basis throughout the year as the County has received tax revenues from the State Tax Commission. Conceivably, the allocation could have been configured to hold an entire year's tax revenue collections for disbursement the following year. However, eagerness to start ZAP funding to organizations in 1997, resulted in revenues being distributed as it was received, or shortly thereafter, from the State Tax Commission. Therefore, the amount of funding available in any calendar year can only be estimated.

Typically, a two to three month lag exists from tax collection to distribution to the County. This lag time requires that tax collections in the latter part of the year be distributed to zoological, cultural and arts organizations during the first few months of the following year.

Tier I Funding Timetable

The Advisory Board evaluates and makes recommendations for funding on applications it receives in the spring. The County Council approves funding in late summer, after which a monthly disbursement of funds continues to each organization through spring of the following year. Each organization then submits an evaluation of funding usage for the prior year. The Advisory Board receives this evaluation together with the application for the current year's funding.

In 2006, applications were due on May 18, Council approval for funding awarded to Tier I organizations was made in August, and the first payments to those organizations occurred on August 28th. Nine other disbursements occurred thereafter, with more than one payment sometimes being made in the same month. The last payment, on April 12, 2007, also included accrued interest earnings from the past year.

Tier II Funding Timetable

The Tier II application and funding process is later than Tier I, and two lump sum distributions are made instead of monthly payments. This is due to smaller amounts being disbursed where some organizations are awarded as little as \$2,000.

In 2006, Tier II applications were due June 9, and the Council approved Advisory Board recommendations on October 3. Sixty percent of funding was distributed on November 22, 2006, and the remaining 40 percent on April 10, 2007.

Until 2005, Tier II organizations applied twice each year for funding, once in the spring for July to December tax revenues, and again in the fall for the previous July to December tax revenues. Now, applications are made only once a year, and include the two disbursements just referenced.

Tier II organizations are not required to submit evaluations until January of the second year after which funding was awarded. This is because they are allowed the year of application and the entire next year to spend those funds. Thus, evaluations are not due until January 2008 for funds awarded in 2006. This lag time places the Advisory Board at a disadvantage because they often lack the evaluation form at the time applications for the next funding cycle are considered. For example, the Board did not have most 2006 evaluations in hand as they considered applications for 2007 because they were not due until January 2008.

Timetable Analysis

Applying for and being awarded funds in the same year that funds are distributed does not allow for organizations to plan for or anticipate this funding in their budgets. At a minimum, ZAP program managers should consider moving the application and approval process prior to the year in which targeted tax revenues are collected and distributed. Therefore, the 2009 application process for Tier I and Tier II applications could take place in October 2008, with final Council approval in December, thereby providing organizations with more advance notice of their estimated receipt of ZAP tax revenues as they formulate budgets and forecast revenues for 2009.

The Program Manager also suggested another option where organizations would apply for two years during the application process next spring. Funding for 2008 would then be disbursed within that year, according to past routine. However, funding for 2009 would already be approved prior to the start of the year and would allow organizations the opportunity to more precisely project annual revenues.

2.6 Option for Consideration:

We recommend that a new application period be instituted that will establish ZAP funding approval prior to the year in which funds are distributed to recipient organizations.

3.0 Tier I, Tier II, and Zoological Advisory Boards.

The County Council appoints both Advisory Boards for Tier I and Tier II funding. Board members serve for three years. Their terms begin in January and are staggered so that each Board is a combination of members who have served previously, and new members who have no experience in the ZAP program. The following are findings within this section.

- *Advisory Board membership composition meets specifications outlined in State Statute*
- *Conflict of Interest Statements were on file for each advisory board member.*

Both Tier I and Tier II Advisory Boards are comprised as dictated by Statute.

3.1 Advisory Board membership composition meets specifications outlined in State Statute.

The Tier I Advisory Board is required to consist of seven individuals and must include two members from the Utah Arts Council. Policy #1031 states, “to the extent practicable, Tier I Advisory Board members shall be evenly divided by council district.” As currently organized, the Tier I Advisory Board has seven members, two of which are also members of the Utah Arts Council. The board members represent three of the six Council Districts, with five of the seven residing in District 4, the east side of the County.

The Tier II Advisory Board is required to have nine members consisting of mayors from two municipalities in the County, at least one member from the Salt Lake County Center for the Arts Advisory Board and six representatives from the community at large. As presently composed, the Tier II Advisory Board has nine members: two mayors and one member of the Salt Lake County Center for the Arts Advisory Board, along with six other members. All of the Council Districts are represented on the Tier II Advisory Board, with three members from District 2, the west side of the County. The Director of the Community Services Department (or designee) and the ZAP Program Manager serve as nonvoting members to each Advisory Board.

3.2 Conflict of Interest Statements were on file for each advisory board member.

Conflict of Interest Statements were on file for each Advisory Board member.

Members of the Advisory Boards are required to complete a Conflict of Interest Statement to report affiliations with organizations that may present a conflict to their duties as members of the boards. Conflicts of interest create an unfair environment and may unwittingly further the interest of a particular organization. If a Board member has an affiliation with an applying organization, Board members are required to disclose any relationship with that organization before voting. We found that statements were on file for all members of both Tier I and Tier II Advisory Boards.