



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

A Compliance Review of the

Salt Lake County TRCC Fund

December 2010

**Gregory P. Hawkins
Salt Lake County Auditor**



April 8, 2011

Chairman Max Burdick & Council Members
Salt Lake County Council

Mayor Peter Corroon
Salt Lake County

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HAND DELIVERED

Dear Chairman Burdick & Mayor Corroon,

Attached please find our Compliance Review of the TRCC Fund. The fieldwork was completed during December 2010. The Mayor's Operations Office was briefed on and allowed to respond to our finding and recommendation. They were in agreement with the finding and recommendation regarding the term of the TRCC Tourism Advisory Board members, thus no comments from their office are included. In fact, this issue was addressed and an increase in board members' terms was proposed and adopted by the Council of the Whole in their April 5, 2011 meeting.

This report is divided into four different sections to make it easier for stakeholders and the public to review and digest. Section I, provides the quickest, yet most comprehensive overview of the report, with cross-references to more detailed explanations in Section IV. The report is divided into four major sections as follows:

- I. **Executive Summary** – highlighting the TRCC Fund history as well as the findings, positive assessments, and the recommendation regarding the term of board members
- II. **Introduction** – providing general background on TRCC Fund operations
- III. **Scope and Objectives** – establishing the purpose, breadth, and limitations of our inquiries
- IV. **Findings and Analysis** – providing detailed analysis of the finding and related methodology

We found the operations of the TRCC Fund to be in compliance with pertinent statutes, ordinances, policies, and contractual relationships. We concluded from our review that the TRCC Fund is, overall, a well-managed operation, that methodically executes and carefully monitors its contractual and fiscal responsibilities.

We express thanks to the Mayor's CFO and his staff for their cooperation and responsiveness to our questions. We would be pleased to discuss any questions you may have.

Sincerely,

James B. Wightman, CPA, Director
Compliance & Performance Assessment

A Compliance Review of the

**Salt Lake County
TRCC Fund**

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GREGORY P. HAWKINS

Salt Lake County Auditor

JAMES B. WIGHTMAN, CPA, CISA, MBA, MAcc

Director, Compliance & Performance Assessment

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Appendix A – Tourism Advisory Boards – Terms for Board Members

Salt Lake County TRCC Fund

Benefitting the Community . . .



. . . throughout the County . . .



. . . anytime of the year.

I. Executive Summary

Background and History

TRCC is an acronym for Tourism, Recreation, Cultural, and Convention Facilities. Utah Code sections and County ordinances authorize Salt Lake County to impose and collect tourism taxes and designate the purposes for which the revenues can be expended. The authority for imposing these taxes is derived from Title 59, Chapter 12, § 301 and §§ 601-603 of the Utah Code. Salt Lake County has imposed the TRCC Tax as set forth in Title 3, Chapter 3.10 of the Salt Lake County Code of Ordinances, pursuant to and in accordance with the provisions of the Utah Code.

Each county in Utah makes an investment in tourism through collecting taxes paid on leased vehicles (car rental tax), prepared food and beverages (restaurant tax), and short-term room rentals (transient room tax). A portion of tax revenues collected from these tourist-related businesses is directed to the TRCC Fund. Counties spend these taxes according to the Utah Code on tourism marketing, promotion, and infrastructure that benefits not only the tourist, but the community as a whole.

In 1965, the first tax for supporting tourism promotion was created by the Utah State Legislature. Initially, the Transient Room Tax (TRT) allowed county legislative bodies to impose a tax of up to 1.5 percent on the cost of the rental of temporary lodging at hotels, motels, inns, trailer courts, campgrounds, tourist homes, and similar accommodations for stays of less than 30 consecutive days. Revenue from the TRT is accounted for in the County financial system in both the TRCC Fund and the Visitor Promotion Fund. The Visitor Promotion Fund is a separate fund from the TRCC Fund. The Visitor Promotion Fund is used to account for revenues received from TRT which are used by the Salt Lake Convention and Visitors Bureau (SLCVB) to develop and promote the County.

Although tourism promotion using tax from room rentals dates back to 1965, the TRCC Tax was not established by the State Legislature until 1990, following voter approval of sales taxes dedicated to financial support of recreation and cultural facilities. The TRCC Tax does not add to the cost of sales, the TRCC Tax is added to the subtotal of the patron's final purchases. Where imposed, the TRCC Tax is charged in addition to sales tax and other applicable taxes.

The TRCC Tax, first enacted in 1990, allowed the County to impose a tax of up to 3 percent on all short-term leases and rentals of motor vehicles. The use of proceeds was restricted to financing tourism promotion and the development, operation, and maintenance of tourism, recreation, cultural, and convention facilities.

In 1991, the TRCC Tax was amended to include two additional taxes. The State Legislature passed House Bill 438 allowing county governing bodies to impose a tax of up to 1 percent on sales of prepared foods and beverages by restaurants (the restaurant tax). Restaurant sales were originally tied to the TRCC Tax because of the nexus restaurants have to tourism. According to a 2010 study by Wikstrom Economic and Planning Consultants, Inc., "more than one third of all 2008 restaurant sales in Utah were made by nonresidents." In addition to the restaurant tax, the State Legislature passed a special 0.5 percent TRT that could be imposed by first class counties (e.g., Salt Lake County). The Utah Code was also amended to include cultural activities and cultural facilities as valid projects for the TRCC Tax.

In 2008, the State Legislature passed House Bill 245 expanding the use of TRCC Tax to include airport facilities. The current Utah Code (§ 59-12-601.1) is entitled the Tourism, Recreation, Cultural, Convention, and Airport Facilities Tax Act. However, the acronym, TRCC, is still used when referring to the tax.

Findings and Analysis

TRCC Fund revenue has declined due to the sluggish economy. Because the TRCC Fund is made up of sales tax revenues from various tourism taxes, economic factors impact TRCC Tax collections. Thus, the amount of revenue deposited into the Fund can be both elastic and uncertain compared to property taxes. The current recession is the most severe in several decades. Consequently, in 2010 less revenue was projected and budgeted for the various tourism taxes which make up the TRCC Fund.

TRCC Fund expenditures were used for the purposes designated in Utah Code § 17-31-2. The TRCC Fund revenue is subject to the statutory restrictions set forth in Utah Code. Additionally, there are specific designations and guidelines as to how the TRCC Tax is spent in Salt Lake County. As part of our audit, we reviewed the risk that TRCC Fund expenditures may not comply with the purposes designated in Utah Code § 17-31-2. We found that the County was complying with current laws regarding the expenditure of TRCC Fund revenues.

Salt Lake County was in compliance with reporting requirements of Utah Code § 17-31-5.5. Utah Code § 17-31-5.5 requires that the legislative body of each county imposing the TRCC Tax and/or TRT shall annually engage an outside (independent) auditor to perform an audit to verify that funds received from either the TRCC Tax or TRT are used only as authorized by State law and to report the findings of the audit to the county legislative body. As per Utah Code, this verification was performed as part of the County's annual independent audit.

Each year, the County Mayor's administrative and fiscal staff prepared spreadsheets detailing TRCC Fund expenditures which were submitted to the outside auditors prior to the annual independent audit. The purpose, category, and amount for expenditures from the TRT and the TRCC Fund were listed on the spreadsheets. From the information on the spreadsheets, the outside auditors reviewed the expenditures for each year and submitted an opinion on the schedule of expenditures. In the opinion of the outside auditors, the County complied, in all material respects, with the general compliance requirements. The outside auditor's opinion provides attestation that the schedules were fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Mayor's Office was effective in providing oversight and administration of the TRCC Fund. Oversight and administration of the TRCC Fund was provided by the County Mayor's Office administrative and fiscal staff. The fiscal staff closely monitored the obligations for and expenditures from the TRCC Fund. The Mayor's fiscal staff was responsible for the expenditures from the TRCC Fund subject to the amounts that were approved through the budget. The budget was used to help prioritize the goals, programs, and activities that received TRCC Fund money.

Contributions from the TRCC Fund were drastically reduced in 2010. The County has entered into various interlocal agreements to make future contributions from the TRCC Fund to contribute to capital facilities relating to tourism, recreation, and culture. The payments were to other governmental entities which were managing or constructing the facilities. These agreements contain non-funding cancellation clauses to comply with State Statute.

As noted, sales-related taxes and other revenues were negatively impacted by the recent softening of economic conditions. As tourism tax revenues declined, contributions to several agencies were not funded for 2010. Agencies that did not receive contributions in 2010 included: West Valley City – Cultural Celebration Center, Utah Restaurant Association – restaurant marketing, Sandy City – Sandy Amphitheater, and Salt Lake City – Steiner Ice Rink.

The length of the terms for the TRCC Tourism Advisory Board members is not adequate. The Utah Legislature passed legislation in 2007 requiring counties that receive revenues levied by the Utah State Tax Commission and deposited into the TRCC Fund to create a Tourism Advisory Board to advise the County legislative body on disbursement of those funds. Salt Lake County formed this Board in January 2008.

The County Tourism Advisory Board (TAB) is composed of local business members and government officials who oversee, offer insight, and contribute their time and talents to promote projects and activities which fit the purpose of the TRCC Fund. Per County Ordinance, the TAB consists of five mayors from cities within the County and four appointed citizens selected from both the incorporated and unincorporated areas of the County.

The TAB is charged with advising the County Council regarding effective use of TRCC Fund revenues. Therefore, it is necessary for the board members to understand and be knowledgeable of the complexities involved with the TRCC Fund. Because the term for members of the TAB is two years, there is a concern, expressed by some board members, that the term is not long enough for them to become familiar with the TRCC Fund activities and provide useful input. Due to the complexity of the TRCC Fund, it would be beneficial for TAB members to have time for an educational process that a longer term would afford. Therefore, the County Council should consider changing the County Ordinance to increase the length of terms for members of the TAB.

Further analysis of the above findings, as well as additional findings are discussed in detail in the remainder of this report.

II. Introduction

Salt Lake County initially established the Tourism, Recreation, Cultural, and Convention Facilities (TRCC) Fund in 1992 as a Proprietary (Enterprise) Fund. Effective January 1, 2000, the budgeting and accounting for the TRCC Enterprise Fund was closed and re-established as a Special Revenue Fund. Currently, the TRCC Fund is a Special Revenue Fund of the County on the basis that a significant part of its revenues are legally restricted for specific purposes. The change was made because the County, with advice from the external auditors, concluded that a Special Revenue Fund represented better financial reporting due to the significant amount of special sales tax revenue recorded in the TRCC Fund.

In addition to the budgeting and daily accounting of the TRCC Fund revenues and expenditures, the Fund is reported in the County's Comprehensive Annual Financial Report (CAFR). Prior to 2005, the TRCC Fund was reported as a Major Governmental Fund in the CAFR. Since 2005, the TRCC Fund has been considered a Nonmajor Governmental Fund in the CAFR. A related Nonmajor Governmental Fund, the Visitor Promotion Fund, is used to account for revenues received from Transient Room Tax (TRT). Revenue in the Visitor Promotion Fund is used to develop and promote Salt Lake County through a contract with the Salt Lake Convention and Visitors Bureau (SLCVB).

Prior to 2010, interfund transfers were made from the Visitor Promotion Fund into the TRCC Fund. The monies were used for capital projects and debt service on the MBA Bonds used for renovations at the Calvin L. Rampton Salt Palace Convention Center and the South Towne Exposition Center. In the 2010 adopted budget, a new fund (The Bond Debt Service – Municipal Building Authority) was established. Beginning in 2010, interfund transfers from the Visitor Promotion Fund were recorded in the Bond Debt Service Fund instead of the TRCC Fund for payments of debt service on MBA bonds.

For external financial reporting purposes in the CAFR, the TRCC Fund has been used to account for revenues and expenditures relative to the Calvin L. Rampton Salt Palace Convention Center, the South Towne Exposition Center, and other tourism, recreation, cultural, and convention facilities. However, from a management, budget, and operating perspective, the Salt Palace and South Towne Exposition Center are stated separately from the TRCC Fund. Additionally, throughout each year, contributions and fund balance transfers are made from the TRCC Fund to other funds for various capital improvement projects, debt service payments, and to support fine arts, parks, and recreation programs within the County.

In the County's general ledger accounting software, Advantage Financial (AFIN), each budgetary unit is referred to as an "organization" with a

separate organization number. For internal budgeting and accounting purposes, the TRCC Fund (Fund 581) is a separate fund from the Salt Palace Convention Center Fund (Fund 580), the South Towne Exposition Center Fund (Fund 582), and the Fine Arts Fund (Fund 585). The TRCC Fund is one budgetary unit, *Fund 581, Organization 3551 TRCC: Tourism, Recreation, Cultural & Convention*, under which there are three object of expense codes: (1) Debt Service, (2) Contributions, and (3) Indirect Costs and Overhead.

Beginning in 2011, the TRCC Fund, as reported in the CAFR, will also include revenues and expenditures of Center for the Arts to comply with Governmental Accounting Standards Board Statement 54, "*Fund Balance Reporting and Government Fund Type Definitions*" (Statement 54). Under Statement 54, for the County to report a separate special revenue fund like the TRCC Fund, the fund must have its own revenue sources, which are on-going, substantial, and either legally restricted or committed to that fund. This is because financial statement users anticipate that revenues are recorded in the fund where the money is spent. Thus, large transfers out of this type of fund are not anticipated.

Since the TRCC Fund receives substantial sales tax revenue, but, in turn, transfers large sums to other funds, the County determined that those recipient funds should be combined with the TRCC Fund, starting in 2011, to more clearly account for both the receipt and expenditure of TRCC Tax revenues.

The SLCVB is the organization designated by the County Council to promote and market the County for tourism. Therefore, the SLCVB receives TRCC Fund revenues to use for the Ski Salt Lake program expenses. In addition, the County has entered into various interlocal agreements to make future contributions from the TRCC Fund for capital facilities relating to tourism, recreation, and culture. These agreements contain non-funding cancellation clauses to comply with State Statute. The TRCC Fund commitments are for future contributions primarily to other governmental entities for the construction, operation, or maintenance of the facilities. These commitments extend for several years and will be financed from future tourism tax revenues.

Currently, sales taxes to fund the TRCC Fund may be imposed by counties and consists of four components:

1. Car Rental Tax 1 - Up to 3 percent

Imposed on all short-term leases and rentals (not to exceed 30 days) of motor vehicles (cars, trucks, jeep-type vehicles, and motor homes) normally rented for tourism or recreational purposes.

2. Supplemental Car Rental Tax 2 - Additional 4 percent

Any county already imposing the short-term Car Rental Tax 1 may impose this additional tax.

3. Restaurant Tax - Up to 1 percent

Imposed on all sales by restaurants of prepared foods and beverages sold for immediate consumption.

4. Transient Room Tax - Up to ½ of 1 percent

Imposed on the rental of temporary lodgings* for stays of less than 30 consecutive days. (This additional transient room tax may only be imposed by counties of the first class, i.e., Salt Lake County.)

*Lodgings include hotels, motels, inns, motor courts, tourist homes, campgrounds, trailer court facilities, and similar accommodations.

The sales taxes which contribute to the TRCC Fund are used for tourism, recreational development, cultural development, and conventions, all of which can have an effect on economic development and stability. The taxes may be imposed for the purpose of financing, in whole or in part, tourism promotion, and the development, operation, and maintenance of tourist, recreation, cultural, and convention facilities, as set forth in County Ordinance and Utah State Code. TRCC Fund-related taxes are collected by the Utah State Tax Commission (USTC) and subsequently distributed to the County. With the exception of Car Rental tax, revenues from these taxes are distributed to Utah counties that impose the tax based on taxable sales from within each county's boundaries. State Statute includes both a point of sale and population component in the distribution formula for car rental tax.

Sales taxes, franchise taxes, and transient room taxes are considered "measurable" and recognized as County revenue when received by merchants and remitted to the County by the USTC, in time to be used to pay current obligations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. The Debt Service Fund is used to account for resources used for the payment of interest and principal on general long-term debt obligations.

The county legislative body (the County Council) controls utilization of the TRCC Fund, with advice provided by the County Tourism Tax Advisory Board (TAB). Expenditures and transfers from the TRCC Fund are initially requested during the budget process. In June and November of each year, the Auditor prepares long-range budget and revenue projections for the TRCC Fund. Based on the revenue projections, for the ensuing fiscal year and recommendations from the Mayor's Office, the TRCC Fund expenditures are reviewed and approved by the County Council during the budget process.

The Auditor's Office prepares reports that compare actual expenditures and revenues to budgeted amounts. These reports are distributed to elected officials, department heads, and administrators. Because the Auditor, by statutory mandate, projects all sources of County revenue for

budget purposes and administers the adopted County budget, which reflects recommendations by the Mayor and final approval by the County Council, a system of checks and balances is built in to the formulation and monitoring of the TRCC Fund. This division of financial responsibilities provides effective oversight and helps ensure the integrity of the TRCC Fund.

Timeline of TRCC Fund Taxes

The following timeline relating to TRCC Fund Taxes in Salt Lake County is based upon newspaper accounts, a report from the Office of the Legislative Auditor General, State Statute (Utah Code Annotated), Salt Lake County Ordinances, Salt Lake County Budget Plans, and Salt Lake County Comprehensive Annual Financial Reports (CAFRs).

- 1965: **TRT enacted** – Counties were allowed to collect 1.5 percent Transient Room Tax for the purpose of establishing, financing, and promoting recreational, tourist, and convention bureaus.
- 1975: **TRT rate increased** – The TRT rate was raised to 3 percent.
- 1979: **TRT revenues used for capital projects** – A change in the Utah Code allowed one-third of the TRT to be used to acquire, lease, construct, furnish, maintain, or operate tourism facilities and acquire land for related purposes.
- 1990: **TRCC Tax established** – Utah Code § 59-12-601 was enacted establishing the TRCC Tax which allowed the County to collect a 3 percent tax on the charges for short-term leases of vehicles. At that time, this 3 percent “car rental tax” was the sole revenue source for the TRCC Tax. The TRCC Tax revenues could be used to finance tourism promotion, and to develop, operate, and maintain tourism, recreation, and convention facilities. Thus, with the amendment of the TRT and the addition of the TRCC Tax, the focus of tourism tax revenues shifted more toward capital expenditures on tourism facilities.
- 1991: **TRCC Tax amended** – This amendment authorized two additional taxes:
- 1) Restaurant Tax - A 1 percent tax on prepared food and beverages.
 - 2) Additional TRT for first class counties - A special 0.5 percent TRT collection for first class counties (e.g., Salt Lake County). The Utah Code was also amended to include cultural activities and cultural facilities as valid uses for the TRCC Tax.
- 1992: **Renaming of the Salt Palace Fund** – The Salt Palace Fund was renamed the Tourism, Recreation, Cultural, and Convention Facilities (TRCC) Fund. The name of the Salt Palace Fund was

changed to the TRCC Fund* as a reference to new taxes approved by the State Legislature in 1990 and 1991 to fund tourism, recreation, cultural, and convention facilities. The new taxes were used not only to help fund operations and maintenance of the Salt Palace Convention Center, but also other facilities used for these purposes.

*Prior to 1992, the revenues and expenses of the Salt Palace facility were accounted for in the Salt Palace Fund.

- 1999: **Supplemental Car Rental Tax enacted** – A supplemental 4 percent car rental tax was authorized for counties to adopt in addition to the originally authorized 3 percent tax.
- 2006: **TRCC Fund revenues used to fund Ski Salt Lake Program** – As mandated by Utah State Legislation, the expenditure of the \$450,000 Ski Salt Lake Program (formerly funded in the Visitor Promotion Fund) was funded using money from the TRCC Fund.
- May 2006: **New TRCC Fund reporting required** – The Utah Legislature passed House Bill 40, *Expenditures for Tourism, Recreation, Cultural, and Convention Facilities and Activities*, which included new reporting requirements for counties that collect the TRCC Tax under Utah Code § 59-12-603 and/or the TRT under Utah Code § 59-12-301.

The new requirements are part of Utah Code § 17-31-5.5 which states that the

“legislative body of each county imposing the transient room tax and/or tourism, recreation, cultural, and convention facilities tax shall annually engage an independent auditor to perform an audit to verify that transient room tax funds and tourism, recreation, culture, and convention facilities tax funds are used only as authorized by State law and to report the findings of the audit to the county legislative body. This should be done as part of the regular annual audit.”

- Oct. 2006: **TRT Rate increased** – The Utah Legislature passed Senate Bill 211 allowing the County to increase the maximum rate for TRT from 3.0 percent to 4.25 percent. These revenues are allocated to the Visitor Promotion Fund and used for tourism promotion.
- 2008: **TRCC Tax base expanded** – The TRCC Tax was expanded to include airport facilities. The current Utah Code (§ 59-12-601.1) is entitled the Tourism, Recreation, Cultural, Convention, and Airport Facilities Tax Act. However, the acronym, TRCC, is still used when referring to the tax.

2010: **Change in TRCC Fund accounting treatment** – Rent payments for the Municipal Building Authority (MBA) bonds were classified as “fund balance transfers out” of the TRCC Fund instead of as “expenses paid” from the TRCC Fund.

As described above, the TRCC Fund includes revenues from both TRCC Tax and TRT. The following table shows the rates and effective dates for the various taxes used for tourism promotion.

Tourism Promotion Effective Dates and Tax Rates		
Description	Tax Rate	Effective Date
Lease-Vehicle (Car Rental Tax)	3.0%	1990
Lease-Vehicle (Car Rental Tax)	4.0%	1999
Prepared Food and Beverage (Restaurant Tax)	1.0%	1991
Transient Room Tax (TRT – Original)	3.0%	1965
Transient Room Tax (TRT)	1.25%	2006
Transient Room Tax (TRT – Special)	0.5%	1998

Table 1. Rates and effective dates for tax revenues used for tourism promotion.

NOTE: The aggregate tax rate for TRT is 4.75 percent. Revenues received by the County from this tax are reported in two separate funds. The Visitor Promotion fund receives 4.25 percent and the TRCC Fund receives 0.5 percent.

III. Scope and Objectives

Audit Scope

The scope of the audit included reviewing revenue and expenditures from 2006 to 2010. Additionally, we reviewed information in the annual budget documents and the Comprehensive Annual Financial Reports (CAFR) for the same time period which pertained to the TRCC Fund.

Audit Objectives

The overall objective of this audit was to examine the purpose of the TRCC Fund and the types of activities, programs, or projects that were supported using money from the Fund. We also reviewed the history of the TRCC Fund, trends within the Fund, and the administration of the Fund. Our work was designed to achieve the following:

- Validate that the TRCC Fund revenues were utilized in accordance with applicable Utah State Statutes, County Ordinances, and Countywide Policies.
- Assess whether procedures and controls exercised over the budgeting, allocation, and expenditure of TRCC Fund revenues were appropriate and adequate to provide a satisfactory level of financial and administrative control and accountability.
- Ensure that controls over disbursements included procedures and documents that assured the information used to generate disbursements was adequate and that disbursements were properly recorded.
- Determine whether the County is in compliance with laws, regulations, and policies regarding the TRCC Fund.
- Confirm that the Tourism Advisory Board is represented appropriately and performs its role as outlined in State Statute and County Ordinance.

Approach

Our audit approach consisted of three phases:

1. Understanding of the Process and Review of Regulations and Requirements

During phase one, we interviewed the personnel in Mayor Operations involved in the administration of the TRCC Fund to discuss the scope and objectives of the audit work and obtain preliminary data. We reviewed other documents including Budget Plans, CAFRs, Reports from the Utah Office of the Legislative Auditor General, and payment information.

Additionally, we reviewed Utah State Statutes, County Ordinances, and Countywide Policies applicable to this audit.

2. Detailed Testing

The purpose of this phase was the development of applicable detail tests to meet our objectives. We tested compliance with the following:

- Utah State Statutes
- County Ordinances
- Countywide Policies

We examined and tested the following as it related to administrative controls:

- Expenditures from the TRCC Fund
- Disbursements, including approvals, invoice support, and other documentation
- Interlocal Agreements

3. Reporting

At the conclusion of our audit fieldwork, we documented our understanding of the processes surrounding the TRCC Fund based on our review, summarized our findings, and prepared a report.

IV. Findings and Analysis

Through our audit of the TRCC Fund, we found the following:

- *TRCC Fund revenue has declined due to the sluggish economy.*
- *TRCC Fund expenditures are used for the purposes designated in Utah Code § 17-31-2.*
- *TRCC Fund revenues were allocated to various venues and projects.*
- *Salt Lake County was in compliance with reporting requirements of Utah Code § 17-31-5.5.*
- *The Mayor's Office was effective in providing oversight and administration of the TRCC Fund.*
- *Contributions from the TRCC Fund were drastically reduced in 2010.*
- *Salt Lake County was in compliance with Countywide Policy requiring fund balances for the TRCC Fund.*
- *Salt Lake County is preparing for the new accounting and reporting requirements stated in GASB 54.*
- *The length of the terms for the TRCC Tourism Advisory Board members is not adequate.*

1.0 TRCC Fund revenue has declined due to the sluggish economy.

Because the TRCC Fund is made up of sales tax revenues from various tourism taxes, economic factors impact TRCC Tax collections and the amount of revenue deposited into the Fund can be uncertain. Sales tax revenues are driven by the economy, are highly elastic, and fluctuate with economic conditions. Car rental tax and TRT revenues are highly dependent on the national economy. When the general economy is doing well, more sales tax revenue, and therefore more tourism tax revenue, will be collected. When the economy is doing poorly, sales tax revenue collections level off and in some instances may decline.

A portion of tax revenues collected from tourist-related businesses, such as rental car companies, hotels, and restaurants, is directed to the TRCC Fund.

The current recession is the most severe in several decades. Therefore, less revenue was budgeted for the various tourism taxes which make up the TRCC Fund. In 2008, the County budgeted over \$29 million in tourism-related sales taxes. During 2009, budgeted sales tax revenue decreased in comparison with the prior year. Due to the current economic climate, in 2010 the budgeted sales tax revenue for the TRCC Fund was lower than the amount budgeted for in the previous four years, as shown in the table, below, and Figure 1, on page 15.

TRCC Fund Budgeted Sales Tax Revenue					
Sales Tax Revenue Source	2006	2007	2008	2009	2010
Transient Room Tax	\$4,900,000	\$1,600,000	\$1,900,000	\$1,700,000	\$1,400,000
Car Rental Tax	\$8,400,000	\$9,600,000	\$10,700,000	\$9,400,000	\$8,500,000
Restaurant Tax	\$13,500,000	\$15,000,000	\$16,500,000	\$15,300,000	\$14,800,000
Total TRCC Fund Budgeted Sales Tax Revenue	\$26,800,000	\$26,200,000	\$29,100,000	\$26,400,000	\$24,700,000

Table 2. A portion of tax revenues collected from tourist-related businesses, such as rental car companies, hotels, and restaurants, is directed to the TRCC Fund. Budgeted sales tax revenue for the TRCC Fund declined in 2010.

NOTE: In 2007, the percentage of sales tax revenue allocated to the TRCC Fund, from total Transient Room Tax collected, was reduced from 1.75 percent to 0.5 percent.

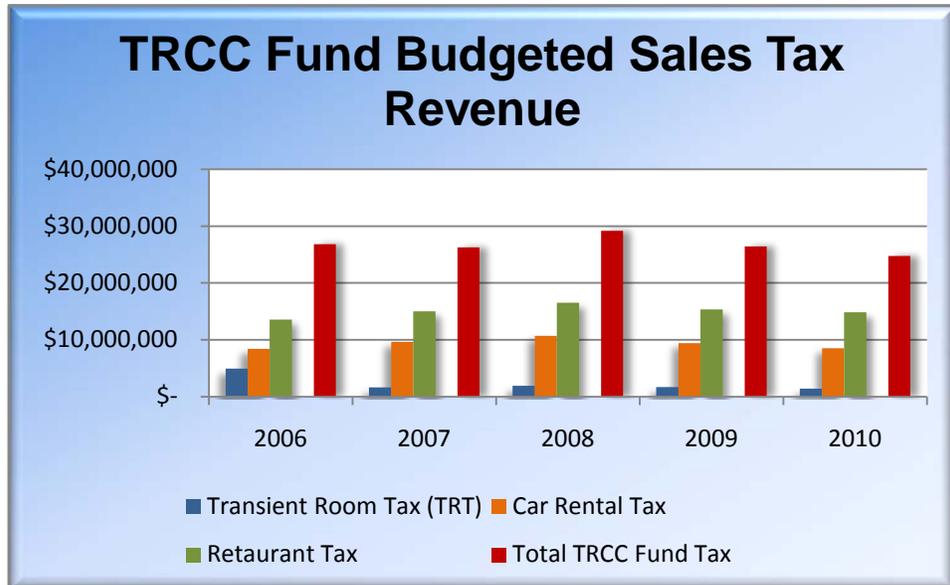


Figure 1. Restaurant Tax, Car Rental Tax, and Transient Room Tax budgeted in the TRCC Fund were lower in 2010 than in previous years.

2.0 TRCC Fund expenditures were used for the purposes designated in Utah Code § 17-31-2.

As stated in the audit scope, we reviewed the expenditures from the TRCC Fund to determine if they were used for the purposes designated in Utah Code § 17-31-2. The TRCC Fund revenue is subject to the statutory restrictions set forth in Utah Code. Additionally, there are specific designations and guidelines as to how the TRCC Tax is spent in Salt Lake County. Thus, we assessed the risk that expenditures from the TRCC Fund may not comply with the purposes designated in Utah Code. Utah Code Annotated § 17-31-2 sets forth allowable uses for TRCC Fund monies as follows:

Allowable Expenditures using TRCC Tax revenues:

- Finance tourism promotion
- Develop, operate, and maintain recreation, cultural, and convention facilities
- Pledge as security and reserves on bonds, notes, etc., related to finance tourism, recreation, cultural, and convention facilities
- Promote and market a ski and lift ticket sales program in Salt Lake County (\$450,000 annually)

Allowable Expenditures using TRT revenues:

- Market conventions and tourism

- Promote recreation, tourism, film production, and conventions
- Acquire, operate, and maintain convention, sports, and recreation facilities, and museums
- Provide funding for capital improvements and projects for convention facilities
- Provide funding for sports stadiums

As part of the review of expenditures, we also examined whether TRCC Fund revenues were used to subsidize the Golf Courses Enterprise Fund. South Mountain Golf Course is part of the same Municipal Building Authority (MBA) Series 1999 Bonds as the South Towne Exposition Center and the Emergency Operations Center. Part of the proceeds from issuance of these bonds was used to acquire South Mountain Golf Course. These MBA (Lease Revenue) bonds are solely issued based on the projections that the operating revenue of the related entities, in this case South Mountain Golf Course, will produce sufficient “net operating revenue” to pay the annual debt amortization. Since the acquisition of South Mountain Golf Course, the Golf Courses Enterprise Fund has experienced a significant “operating deficit.” See the *Performance Audit of Salt Lake County Golf Courses*, November 2001, for additional information.

In 2000, a transfer from the TRCC Fund was used to subsidize the Golf Courses Enterprise Fund, primarily to fill the shortfall in golf operating revenues needed to service the Lease Revenue bonds. These direct transfers continued from 2002 through 2005 to provide ongoing financial subsidies for the Golf Courses Enterprise Fund. Beginning in 2006, based on a finding by the County’s external auditors, the transfers each year thereafter were made from the General Fund based on contributions to that fund from excess TRCC Fund balances, as shown in Table 3, below.

Fund Balance Transfers to the Golf Courses Fund			
Year	Fund Balance Transfer From	Fund Balance Transfer To	Amount
2000	TRCC Fund	Golf Courses Fund	\$562,000
2001	NA *	NA *	-0-
2002	TRCC Fund	Golf Courses Fund	\$100,000
2003	TRCC Fund	Golf Courses Fund	\$1,762,000
2004	TRCC Fund	Golf Courses Fund	\$2,000,000
2005	TRCC Fund	Golf Courses Fund	\$2,000,000
2006	General Fund	Golf Courses Fund	\$1,600,000
2007	General Fund	Golf Courses Fund	\$1,500,000
2008	General Fund	Golf Courses Fund	\$1,500,000
2009	General Fund	Golf Courses Fund	\$1,000,000

Table 3. Fund balance transfers to the Golf Courses Enterprise Fund.

***Note:** In 2001, the portion of the debt service, \$912,915 related to South Mountain Golf Course, was not paid by the Golf Courses Fund. Rather, it was paid from the Master Bond Sub Account as a result of a South Towne Center Construction Account surplus.

As a result of our review, we concluded that the tourism taxes generated by TRCC and TRT, even though used to subsidize the Golf Courses Enterprise Fund, were used appropriately. The County's annual external audits support our conclusion that the County is complying with the current laws and requirements regarding use of TRCC Fund revenues.

3.0 TRCC Fund revenues were allocated to various venues and projects.

One of the original purposes of the TRCC Tax was to generate funds to be used to promote destination tourism by providing venues for community, regional, and national events, attracting visitors from outside the County. Large scale conventions held at the Calvin L. Rampton Salt Palace Convention Center and the South Towne Exposition Center are significant revenue and tax generators for Salt Lake County. Likewise, facilities such as Hale Center Theatre, the Equestrian Park, Sugarhouse Park, and West Valley City Cultural Celebration Center are examples of facilities that help Salt Lake County maintain its reputation as a business, cultural, and recreational destination. These venues also attract a significant number of County residents who contribute to the TRCC Tax revenue stream by their patronage of these facilities.

The TRCC Tax is a reliable, revenue-enhancement source for the convention business, cultural venues, and recreation facilities throughout the County. Over the years, several bills, attempting to redefine the appropriate use of the TRCC Tax, have been submitted to the Utah State Legislature. Typically, these bills would have restricted the County's ability to develop and maintain recreational, cultural, and convention facilities if these facilities were primarily for the benefit of County residents. Facilities such as the South Towne Exposition Center, for

The County Council has allocated TRCC Fund revenues to various venues, facilities, and projects throughout the County.

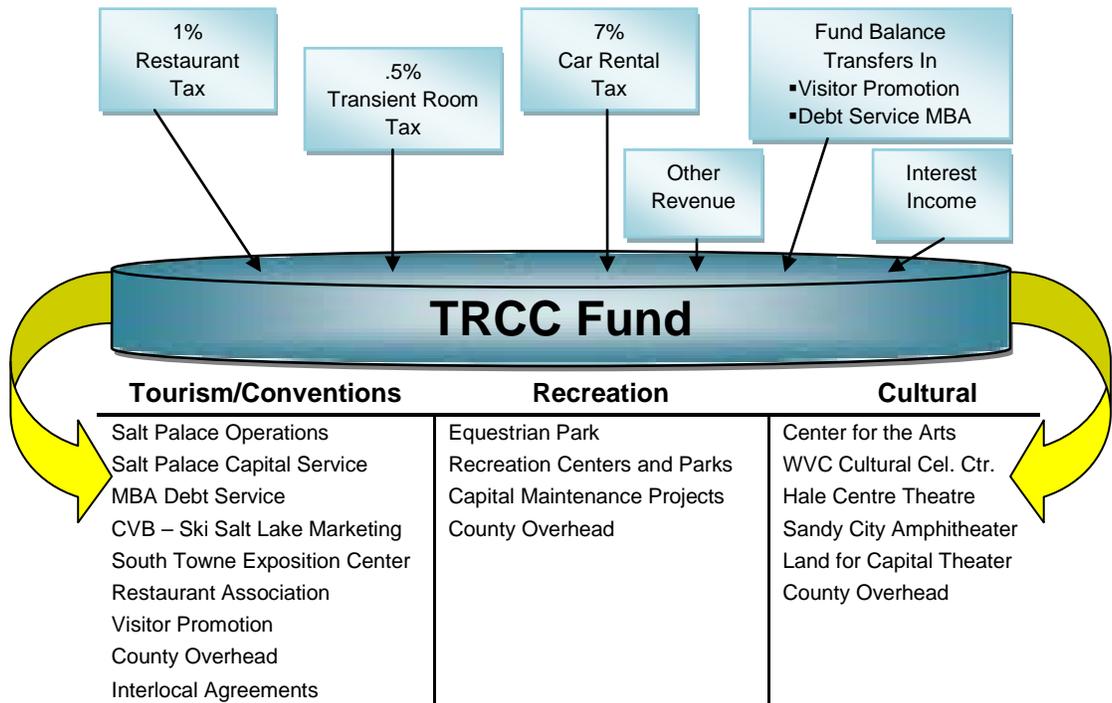
example, may have been ineligible to receive TRCC Tax revenues if these bills had passed. Likewise, other facilities partly funded using revenues from the TRCC Fund, such as golf courses, equestrian arenas, and County parks may have been ineligible to receive TRCC Tax revenue. Some bill proponents have argued that TRCC Tax revenues should be targeted more at the promotion of tourism, because a greater portion of the revenue comes from out-of-state travelers. However, a

significant portion of the TRCC Tax revenues are collected from local residents. Nonetheless, these bills would have prohibited using TRCC Tax revenues for facilities that are primarily used by local residents. To date, none of these bills has passed.

From its inception, the TRCC Tax has been viewed and justified from the broad concept of community-wide benefit. The County Council has allocated TRCC Fund revenues to various venues, facilities, and projects

throughout the County. Restaurants, hotels, and transient room establishments benefit from the influx of convention attendees at the Calvin L. Rampton Salt Palace Convention Center and the South Towne Exposition Center. County citizens benefit from the many parks, recreation, and cultural facilities throughout the County. Figure 2, below, shows the sources and uses of the TRCC Fund money.

TRCC Fund Money Flow



Salt Lake County uses TRCC Fund revenues for the following:

Tourism/Conventions	<ul style="list-style-type: none"> • Salt Palace Operations • Salt Palace Capital Reserve • Ski Salt Lake Marketing • Interlocal Agreements • County Overhead
Recreation	<ul style="list-style-type: none"> • Equestrian Park • Recreation Centers and Parks • Capital Maintenance Projects • County Overhead
Cultural	<ul style="list-style-type: none"> • Center for the Arts Operations • WVC Cultural Celebration Center • Hale Centre Theatre • Sandy Amphitheatre • County Overhead
Bond Debt Service	<ul style="list-style-type: none"> • Calvin L. Rampton Salt Palace Convention Center • South Towne Exposition Center • TRCC Eligible Capital Projects • County Overhead

Figure 2. Various venues and projects receive revenue from the TRCC Fund.

***The majority of the TRCC Fund revenues
were used to pay debt service for . . .***



. . . the Calvin L. Rampton Salt Palace Convention Center



. . . and the South Towne Exposition Center.



Although various venues and projects throughout the County receive money from the TRCC Fund, the majority of the revenue from the Fund was used in Salt Lake County to pay debt service for the MBA bonds for the Calvin L. Rampton Salt Palace Convention Center and the South Towne Exposition Center. The 0.5 TRT Special Tax which became effective January 1, 1998 was directly intended for the Salt Palace Convention Center expansion. Figure 3, below, shows the distribution of the TRCC Fund revenue for 2009.

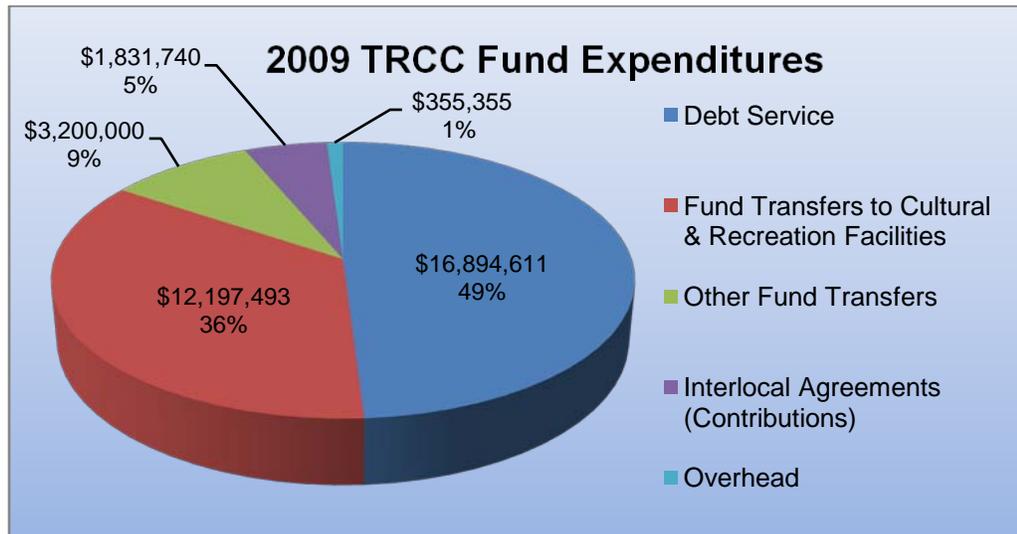


Figure 3. The majority of the revenue from the TRCC Fund is used to pay debt service.

4.0 Salt Lake County was in compliance with reporting requirements of Utah Code § 17-31-5.5.

During the 2006 State Legislative session, HB 40, *Expenditures for Tourism, Recreation, Cultural, and Convention Facilities and Activities*, was passed. The bill included new financial reporting requirements for counties that collect the TRCC Tax under Utah Code § 59-12-603 and/or the TRT under Utah Code § 59-12-301.

Utah Code § 17-31-5.5 requires that the legislative body of each county imposing the TRCC Tax and/or TRT shall annually engage an outside (independent) auditor to perform an audit to verify that funds received from TRCC Tax and TRT are used only as authorized by State law and to report the findings of the audit to the county legislative body (e.g., County Council). According to Utah Code, this verification should be done as part of the regular annual audit.

The breakdown of expenditures from the TRCC Tax and TRT revenues were included as attached schedules to the independent auditor's report on legal compliance with applicable Utah State laws and regulations. The two new schedules were required for governments with a calendar year-end, such as Salt Lake County, beginning with the December 31, 2006 financial statements.

The County's responsibility was accomplished by reporting the expenditures in compliance with Utah Code § 17-31-5.5, which requires a breakdown of expenditures into the following categories:

1. Tourism, Recreation, Culture, and Convention Facilities Tax

a. Financing tourism promotion

b. Development, operation, and maintenance of:

Tourist facilities
Recreation facilities
Cultural facilities

2. Transient Room Tax

a. Establishing and promoting:

Recreation
Tourism
Film production
Conventions

b. Acquiring, leasing, constructing, furnishing, or operating:

Convention meeting rooms
Exhibit halls
Visitor information centers
Museums
Related facilities

c. Acquiring or leasing land required for or related to:

Convention meeting rooms
Exhibit halls
Visitor information centers
Museums
Related facilities

d. Mitigation costs

e. Payment of principal, interest, and premiums on bonds

As part of our fieldwork, we reviewed the State Legal Compliance Report (the "Independent Auditor's Report on Legal Compliance in Accordance with the

Beginning in 2006, new reporting standards were established that required a breakdown of expenditures of the TRT and TRCC Tax funds into designated categories.

State of Utah Legal Compliance Audit Guide") for the years 2006 through 2009. This report is prepared by the external auditors. As part of their audit of the basic financial statements, the external auditors also audit the County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or "earmarking;" reporting; and special tests and provisions applicable to each of the major State

assistance programs as required by the *State of Utah Legal Compliance Audit Guide*. The audit of the TRT and TRCC Fund expenditures was included in this segment of the annual audit performed by the external auditors.

For each year we examined, the Mayor's Office fiscal staff prepared spreadsheets of TRT and TRCC Fund expenditures and transfers, and submitted them to the external auditors prior to the annual independent audit. The purpose, category, and amount of each TRT and TRCC Fund disbursement was listed on the schedules. From the information on the schedules, the outside auditors (Hansen, Barnett, and Maxwell, P.C. for 2006 and 2007; and Squire for 2008 and 2009) reviewed the disbursements for each year and rendered an opinion on these schedules.

The rendering of an opinion on these schedules was for the purposes of the additional analysis required by the *State of Utah Legal Compliance Audit Guide*. These procedures were not required as part of the independent audit of the County's basic financial statements. However, the examination of the information provided on the schedules was subjected to the same auditing standards and test procedures that were applied in the audit of the basic financial statements.

After their review each year, the outside auditors issued an "in-relation-to opinion" on the schedules. The outside auditor's report for each year (2006 through 2009) expressed an unqualified opinion on the basic financial statements of Salt Lake County. Thus, in the opinion of the independent audit firm, the County complied, in all material respects, with the general compliance requirement as outlined in the *State of Utah Legal Compliance Audit Guide*. The external auditor's "in-relation-to opinion" stated that the schedules of TRCC and TRT expenditures, for each year we reviewed, were fairly stated in all material respects, "in relation" to the basic financial statements taken as a whole.

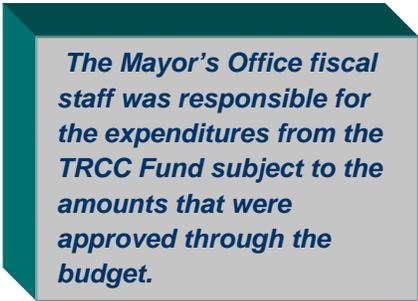
5.0 The Mayor's Office was effective in providing oversight and administration of the TRCC Fund.

Oversight and administration of the TRCC Fund was provided by the County Mayor's Office administrative and fiscal staff. The fiscal staff closely monitored the obligations for and expenditures from the TRCC Fund. Expenditures were made after the budget was reviewed to make certain that funds were available. The fiscal staff checks the expenditures against the budgeted amounts. Each payment must be authorized by one of the fiscal staff who has authority to do so. Staff allowed to authorize payments included the Assistant Chief Administrative Officer, the fiscal administrators in Mayor Operations, and the fiscal administrators in the departments under the Mayor's administration. One of these authorized staff indicated approval by writing "Okay to Pay" on the invoice or request for payment. The approver also included his or her initials, the date, and the account number from which the payment was made. The paperwork then went to one of two employees authorized to input the information into the County's purchasing system. One

employee entered the payment amount and another employee authorized the payment, thereby establishing proper segregation of duties.

After the payments were approved and entered into the purchasing system, documentation was submitted to the Accounts Payable Section of the Auditor's Office (AP). AP reviewed the backup documentation for each payment request and recommended approval of the payment. After the Auditor's approval recommendation was in the online purchasing system, a warrant was authorized and a General Warrant Register was prepared. Approval signatures were obtained from authorized officials in the Mayor's Office, then routed through the Clerk's Office and the Treasurer's Office for appropriate notification action before warrants or EFTs were released.

This approval process provided verification that payments were valid and funds were budgeted. The approval process also provided internal accounting controls to adequately safeguard County funds and provided reasonable assurance that financial transactions were properly recorded. These controls accomplished this objective.



The Mayor's Office fiscal staff was responsible for the expenditures from the TRCC Fund subject to the amounts that were approved through the budget.

The Mayor's Office fiscal staff was responsible for the expenditures from the TRCC Fund subject to the amounts that were approved through the budget. The budget was used to help prioritize the goals, programs, and activities that received TRCC Fund money. Additionally, the Mayor's Office fiscal staff gave interim reports to the Tourism Advisory Board regarding the obligations for and expenditures from the TRCC Fund to ensure that board members had relative information and statistics to make informed decisions.

TRCC Fund revenues were used for contributions to various venues throughout the County . . .



Utah Cultural Celebration Center



Sandy City Amphitheater



Sugarhouse Park



Hale Centre Theatre



Steiner Ice Rink

6.0 Contributions from the TRCC Fund were drastically reduced in 2010.

The Utah Legislature has given local governing bodies the discretion to share their tax revenue with other political subdivisions as long as it is done by local ordinance, resolution, or interlocal agreement. Utah Code § 11-13-101 (the “Interlocal Cooperation Act”) authorizes public agencies to enter into joint agreements with each other, upon a resolution to do so by their respective governing bodies.

The TRCC Tax has helped fund a variety of “brick and mortar” projects throughout the County, as well as provided financial assistance to help with operating costs to various venues, including:

- Sugarhouse Park
- Steiner Ice Rink
- Hale Centre Theatre
- Sandy Amphitheater
- Utah Cultural Celebration Center
- Tracy Aviary
- U of U Practice Field

The County has entered into various interlocal agreements to make future contributions from the TRCC Fund for capital facilities relating to tourism, recreation, and culture. The payments will be to other governmental entities which are managing or constructing the facilities. These agreements contain non-funding cancellation clauses to comply with State Statute.

With the recent drop in the economy, sales tax and other revenues were negatively impacted by the softening economic conditions. The TRCC Fund faced similar difficulties as tourism taxes plummeted. As tax receipts have dropped sharply, contributions to several agencies were not funded for 2010. The 2010 Budget was prepared during the most severe economic downturn in several decades. Therefore, various cuts were made to the contributions from the TRCC Fund, including: West Valley City – Cultural Celebration Center, Utah Restaurant Association – restaurant marketing, Sandy City – Sandy Amphitheater, and Salt Lake City – Steiner Ice Rink. As shown in Table 4, on page 26, TRCC Fund revenues were used to help with the costs for various venues and projects throughout the County. However, in 2010 only two agencies received contributions from the TRCC Fund.

TRCC Fund Contributions						
Description	2005	2006	2007	2008	2009	2010
Sugarhouse Park	\$167,000	\$200,481	\$191,576	\$190,184	\$193,740	\$192,940
Utah Cultural Celebration Center	\$286,343	\$300,000	\$200,000	\$300,000	\$300,000	\$0
Hale Centre Theater	\$0	\$0	\$286,343	\$286,343	\$0	\$0
Steiner Ice Rink	\$300,000	\$300,000	\$300,000	\$300,000	\$0	\$0
Sandy Amphitheater	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$0
U of U Practice Field	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$0
Ski Salt Lake (CVB)*	\$0	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
Utah Restaurant Assoc.	\$0	\$0	\$250,000	\$0	\$188,000	\$0
Memory Grove	\$100,000	\$0	\$0	\$0	\$0	\$0
Tracy Aviary	\$0	\$0	\$0	\$150,000	\$0	\$0
Other Misc. Requests	\$30,000	\$15,000	\$0	\$0	\$0	\$0
Total Contributions	\$1,582,887	\$2,251,824	\$2,377,919	\$2,376,527	\$1,831,740	\$642,940

Table 4. Contributions from the TRCC Fund were reduced in 2010.

***Note:** In 2005 and prior years, the \$450,000 contribution to the Ski Salt Lake program was made from the Visitor Promotion Fund. Beginning in 2006, the contribution was paid from the TRCC Fund, as mandated by State Statute.

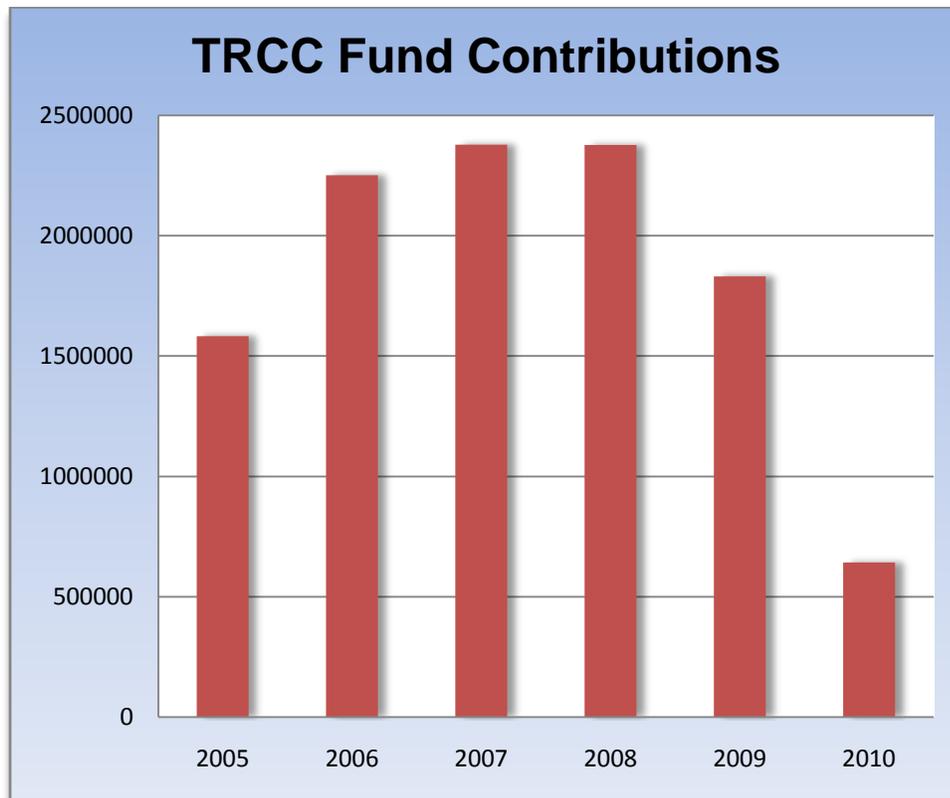


Figure 4. Contributions from the TRCC Fund from 2005 through 2010.

7.0 Salt Lake County was in compliance with Countywide Policy requiring fund balances for the TRCC Fund.

A proposal was submitted to the County Council in 2007 for their review and consideration, and was included in the 2007 Budget Plan. The proposal included financial goals and policies which addressed key financial operations of Salt Lake County in the following areas:

1. Operating and capital budgeting
2. Debt Issuance
3. Revenues
4. Investments
5. **Minimum Reserves**
6. Accounting, financial reporting, and auditing

Section 5.0 of the proposal addressed minimum reserves. The proposal was adopted as a Countywide Policy and was effective beginning with the 2008 budget.

According to Stephen J. Gauthier in “*Governmental Accounting, Auditing, and Financial Reporting*,” a significant measure of a government’s management success is the level of fund balances compared to minimum reserves established either by law or policy of the governing body. The function of reserved fund balance is to isolate the portion of fund balance that is not available for the following period’s budget, so that unreserved fund balance can serve as a measure of current available financial resources. The County established minimum reserves by policy, as indicated in Countywide Policy #1060, *Financial Goals and Policies*.

Countywide Policy #1060, Section 5.1, states:

The County shall establish minimum undesignated fund balances (reserves) for the General Fund and selected Special Revenue Funds. In establishing minimum reserve levels, the County shall take into consideration the elasticity of revenue sources for each fund, GFOA recommended practice, and the reserve requirements necessary to maintain the County’s bond rating. The minimum reserve for each of these funds is the following percentage of budgeted expenditures:

Fund	Minimum Reserve
General Fund	10%
Flood Control Fund	5%
Health Fund	5%
Library Fund	5%
Municipal Services Fund	5%
Clark Planetarium Fund	5%
State Tax Administration Levy Fund	5%
TRCC Fund	5%

The TRCC Fund minimum fund balance was established at a level which was considered adequate to protect the County from the financial effects of events which could not be readily anticipated, such as major negative fluctuations in revenues or expenditures. At the same time, the County tried to balance these equities against taxpayer burden resulting from excessive accumulation of resources. TRCC Fund monies not spent cannot revert to the General Fund, but must be reserved and used as outlined in State Statute.

The County maintained minimum reserves for the TRCC Fund. During the 2010 budget process, the Mayor and the County Council made difficult budgeting decisions including reducing the TRCC Fund amounts which were used for contributions, in an effort to maintain fund balances at prudent levels and protect the County's bond rating.

8.0 Salt Lake County is preparing for the new accounting and reporting requirements stated in GASB 54.

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement Number 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" (Statement 54). The County will be required to implement Statement 54 for the year ending December 31, 2011. As a result of the new standard, fund balance financial reporting will become more detailed and the increased disclosures will aid users of the financial statements in understanding the availability of resources. Statement 54 will

The County will be required to implement Statement 54 for its year ending December 31, 2011.

require fund balance classifications that establish a hierarchy based on the extent to which a government must observe spending constraints imposed upon the use of the resources that are reported in the governmental funds. Based on the requirements of Statement 54, the fund balance will be composed of three primary categories:

- 1) Non-spendable Fund Balance, 2) Restricted Fund Balance, and
- 3) Unrestricted Fund Balance.

The Statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion and adversely affected the interpretation of fund balance information. Statement 54 makes clear, for example, that special revenue funds should be created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in the fund. The new definition requires that a specific restricted or committed revenue source be the foundation of a special revenue fund; other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Because the TRCC Fund is a special revenue fund, it will be impacted by Statement 54. The County will need to review the balance in the TRCC Fund and ensure that when funds are used, financial resources that are restricted, committed, or assigned to expenditures are accounted for and properly reported as defined in the new standard.

According to the Statement, special revenue funds, specific restricted or committed revenues that may be initially received in another fund and subsequently distributed to a special revenue fund should not be recognized as revenue in the fund initially receiving them. Those inflows, however, should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes.

Beginning in 2011, the County will be required to disclose information about its fund balance classification policies and procedures in the CAFR in the notes to the basic financial statements. The County will also be required to disclose the purpose of each major special revenue fund; identifying which revenues and other resources are reported in each of the funds.

The Accounting and Operations Division of the Auditor's Office is currently making preparations to incorporate the changes and ensure that the County successfully implements this important accounting standard. On November 16, 2010, the County Council approved the new TRCC Fund presentation which will be reported in the CAFR for the year ended December 31, 2011. The new reporting presentation will include the combined operations of funds that receive the major TRCC Fund revenues, which include the TRCC Fund, the Salt Palace Convention Center Fund, the South Towne Exposition Fund, and the Fine Arts Fund. This presentation will assist the County in complying with GASB 54 requirements.

9.0 The length of the terms for the TRCC Tourism Advisory Board members is not adequate.

The Utah Legislature passed legislation in 2007 which required that counties receiving revenues levied by the UTSC and deposited into the TRCC Fund create a Tourism Advisory Board to advise the County legislative body on disbursement of those funds. County Ordinance 3.10.055, "*Tourism, Recreation, Cultural, and Convention Facilities Tax Advisory Board*," was approved and adopted by the County Council on January 15, 2008.

The County Tourism Advisory Board (TAB) is composed of local business members and government officials who oversee, offer insight, and contribute their time and talents to promote projects and activities which fit the purpose of the TRCC Fund. Per County Ordinance, the TAB consists of nine members chosen as follows:

1. **Five mayors** - Chosen by the municipal members of the Salt Lake Council of Governments.
2. **One member** - Chosen by the County Council, representing those in the unincorporated area of the County.
3. **Two members** - Chosen by the County Council, representing those residing in incorporated cities or towns.
4. **One member** - Chosen by the County Council, representing the public at large.

The purpose and function of the TAB is to recommend funding for facilities and other authorized uses of tourism-related taxes for the development, advancement, improvement, or promotion of tourism. Ultimately, the expenditure of the revenues collected by the TRCC Tax is determined by the County Council with due consideration for the recommendations provided by the TAB. Thus, the role of the TAB is to oversee the strategic direction for expending TRCC Fund revenues and advise the County Council on the best use of those revenues. This oversight provides input to the County Council for statutorily allowed activities and projects, and provides a prioritization of proposed expenditures based on projected tax revenues. The end product of this process is the TAB's strategic plan.

To date, the TAB has given limited advice to the County Council regarding projects. Most projects which are currently funded with TRCC Tax were in place before the TAB was established; limiting the need for strategic input. There have been some new TRCC Tax funded projects, but not necessarily

Based on the results of a survey to benchmark the length of terms for tourism advisory board members in other cities and counties, the term for Salt Lake County's Tourism Advisory Board members is lower than the terms for board members on the majority of other boards.

ones that required extensive discussion and prioritizing from the TAB. When money is no longer needed for the MBA bond debt service, the TAB will have more of a role in giving direction for the activities and projects receiving funds. One of the MBA bond issues, Lease Revenue Refunding Bonds Series 2001A, was completely paid off and retired in 2010, which frees up TRCC Fund revenues for projects other than debt service.

To carry out their advisory role effectively, board members should understand and be knowledgeable of the complexities involved with the TRCC Fund. The current two-year tenure for board members is not long enough for them to become familiar with the TRCC Fund activities and

be able to provide useful input. Board members would benefit from longer terms which would enable board members to educate themselves and more effectively perform their responsibilities to accomplish the mission of the TAB.

The Utah Code does not specify the length of terms for the TAB board members. However, the County Ordinance, which was passed in 2008, specified that the term for a TAB board member would be two years, with the option to be re-appointed for a second term.

We conducted a survey to benchmark the length of terms for other tourism advisory board members in cities and counties throughout the United States. We selected 20 cities/counties which have tourism advisory boards based on an initial search of Internet websites. We received 14 responses to our survey. The majority of the Tourism Advisory Boards (12 out of 14) had terms which exceeded 2 years. There were 6 boards that had 4-year terms. Of those 6, 3 boards allowed members to be re-appointed for an additional 4-year term. Of the remaining 8 Tourism Advisory Boards, 1 had a 1-year term, 1 had a 2-year term, 4 had 3-year terms, 1 had a 5-year term, and 1 had a 6-year term.

Based on the results of the benchmarking, it would appear that the term for board members of the Tourism Advisory Board for Salt Lake County is shorter than the majority of the members of the other boards in our survey. (See Appendix A for information on each city/county and the terms for board members.)

RECOMMENDATION:

The TRCC Fund Tourism Advisory Board members should have longer terms. Therefore, the County Council should consider changing the County Ordinance to increase the length of terms for board members.

Tourism Advisory Boards – Terms for Board Members

Agency	Name of Tourism Advisory Board	Term for Board Members	Can Board Member be appointed for more than 1 term?	Is there a limit to the number of terms?
City of Niagara Falls Niagara Falls, New York	Tourism Advisory Board	1 Year	Yes	No
Salt Lake County Salt Lake City, Utah	Tourism Advisory Board	2 Years	Yes	Yes – Two 2-year terms
City of Cedar Park Cedar Park, Texas	Tourism Advisory Board	2 Years	Yes	Yes – Two 2-year terms
Currituck County Currituck, North Carolina	Tourism Advisory Board	3 Years	Yes	Yes – Two 3-year terms
Prince Edward County Farmville, Virginia	Tourism Advisory Board	3 Years	Yes	No
City of Independence Independence, Missouri	Tourism Advisory Board	3 Years	Yes	Yes – Two 3-year terms
Town of Abingdon Virginia	Tourism Advisory Board	3 Years	Yes	Yes – Two 3-year terms
St. Petersburg Clearwater CVB Clearwater, Florida	Tourist Development Council	4 Years	Yes	No
Duval County Jacksonville City, Florida	Tourist Development Council	4 Years	Yes	Yes – Two 4-year terms
St. Johns County St. Augustine, Florida	Tourist Development Council	4 Years	Yes	Yes – Two 4-year terms
South Dakota Office of Tourism Pierre, South Dakota	Tourism Advisory Board	4 Years	Yes	No
City of Stockton Stockton, California	Tourism Business Improvement District Advisory Board	4 Years	Yes	Yes – Two 4-year terms
Citrus, County Iverness, Florida	Tourist Development Council	4 Years	Yes	No
Maricopa County Phoenix, Arizona	Tourism Advisory Council	5 Years	Yes	Yes – Two 5-year terms
City of West Plains, Missouri	Tourist Development Advisory Council	6 Years	Yes	No

Appendix A

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