



OFFICE OF THE CITY AUDITOR
COLORADO SPRINGS, COLORADO

12-26
**Trails, Open Space,
and Parks Fund**

December 2012



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Purpose

The purpose of this audit is to evaluate whether the Trails, Open Space, and Parks (TOPS) fund was administered in compliance with City Code Chapter 4, Article 6, Part 2 and whether its goals and objectives are being achieved.

Highlights

We performed an examination of the Trails, Open Space, and Parks (TOPS) Fund for the period January 1, 2010, through December 31, 2011.

Based on our review, we conclude that as of December 31, 2011, the TOPS fund was in compliance with the spirit and all limitations found in Section 4.6.202 of the City Code. We also conclude TOPS' goals and objectives are being achieved.

The TOPS program was created to establish a trails, open space and parks program to acquire real property in the City and El Paso County. The TOPS program was established in July 1997 and since then has protected over 6,589 acres of open space, built 36 neighborhood parks, and constructed over 46 miles of urban trails in Colorado Springs and El Paso County.

The TOPS program is funded by a 0.1% Sales Tax. Of the proceeds collected, the Code limits the percentage of funds that can be spent in specific areas. The limitations prescribed in section 4.6.202 of the City Code include:

- A maximum of 3% can be spent for program management purposes.
- A maximum of 6% can be spent for stewardship and maintenance of TOPS funded trails, open space, and parks through 2010. In 2010, Colorado Springs citizens voted to increase this threshold from 6% to

Recommendations

There were no recommendations resulting from our review.

Management Response

No response was requested from the City of Colorado Springs because no recommendations were made during our review.

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(Highlights continued from page 1)

15% for the years 2011 and 2012. On January 1, 2013, the amount will return to the 6% maximum.

After deductions for the above limitations,

- A minimum of 60% shall be used for the acquisition and stewardship of new open space lands.
- A maximum of 20% may be used for new open space land for new trails within the City, including the construction, acquisition, and maintenance of new trails.
- A maximum of 20% may be used to acquire an interest in new open space land for new park areas, including the construction and acquisition (but not maintenance) of new park recreational capital improvements.

Our report includes the follow attachments:

- Attachment A – Statement of Sources and Uses from inception to December 31, 2011.
- Attachment B – Summary of Compliance Calculations as of December 31, 2011.
- Attachment C – Detailed Compliance Calculations as of December 31, 2011.

Respectfully,



Denny L. Nester, MBA CPA CIA CFE CGFM CGAP
City Auditor

cc: Mayor Steve Bach
Laura Neumann, Chief of Staff
Karen Palus, Director of Parks, Recreation & Cultural Services
Kurt Schroeder, Manager, Parks Maintenance, Open Space & Trails

**Attachment A – Trails, Open Space and Parks (TOPS) Program
Statement of Sources and Uses
July 1, 1997 – December 31, 2011**

	<u>Related to General Revenues*</u>	<u>Related to Borrowings**</u>	<u>Total</u>
Sources:			
Sales and Use Tax	80,777,784	-	80,777,784
Intergovernmental	395,000	-	395,000
Charges for Services	188,603	-	188,603
Investment Income	2,270,543	442,308	2,712,851
Outstanding Debt	-	6,785,000	6,785,000
Total Sources	<u>83,631,930</u>	<u>7,227,308</u>	<u>90,859,238</u>
Uses:			
APM Fund	1,964,562	-	1,964,562
Stewardship/Maintenance	2,987,603	-	2,987,603
Trails	11,408,992	-	11,408,992
Parks	11,233,220	-	11,233,220
Open Space	45,387,347	7,227,308	52,614,655
Total Uses	<u>72,981,724</u>	<u>7,227,308</u>	<u>80,209,032</u>
Sources vs. Uses	<u>10,650,206</u>		<u>10,650,206</u>

APM = Administration, Planning and Management

Notes:

* The column titled "Related to General Revenues" represent activities related to the TOPS Fund

** The column titled "Related to Borrowings" represent debt activities supporting the TOPS Fund. The debt activities may or may not be repaid from the TOPS fund. As of the date of this report, all the activity in this column relates to the Red Rocks COP.

**Attachment B – Trails, Open Space and Parks (TOPS) Program
 Summary of Compliance Calculations
 July 1, 1997 – December 31, 2011**

	<u>Actual Amounts Received or Expended</u>	<u>Outstanding Appropriations</u>	<u>Total Expended plus Outstanding Appropriations</u>	<u>Calculated Percent With Appropriations</u>	<u>City Coded Limit</u>	<u>Status</u>
Total Revenue Received	83,631,929					
Less:						
APM Fund	1,964,561	11,424	1,975,985	2%	LT 3%	In Compliance
Stewardship/Maintenance	2,987,602	734,231	3,721,833	4%	*LT 6/15%	In Compliance
Equals Available for Projects	<u>78,679,765</u>		<u>77,934,110</u>			
Projects						
Trails	11,408,992	2,889,200	14,298,192	18%	LT 20%	In Compliance
Parks	11,233,220	910,883	12,144,103	16%	LT 20%	In Compliance
Open Space	45,387,347	1,767,303	47,154,649	64%	GT 60%	In Compliance
Total Project Expenditures	<u>68,029,559</u>		<u>73,596,944</u>			
Remaining Balance	<u>10,650,206</u>		<u>4,337,166</u>			

APM = Administration, Planning and Management

Compliance Calculations requirements can be found on Attachment C

Note:

*The maintenance spending threshold was 3% from 1997 to 2002. Spending threshold increased in 2003 to 6%. The voters approved a temporary increased threshold of 15% for years 2011 and 2012.

**Attachment C – Trails, Open Space and Parks (TOPS) Program
Detail Compliance Calculations
July 1, 1997 – December 31, 2011**

Category	What the City Code Says (1)	Auditor's Interpretation	Calculation (2)
Planning	Of the proceeds collected, a maximum of 3% may be allocated for use for planning purposes.	The amount actually expended plus the amount of outstanding appropriations may not exceed 3% of the total revenues collected.	1,975,986 / 83,631,929 = 2.36%
Stewardship	Of the proceeds collected, a maximum of 6% through 2010 and 15% for 2011 may be allocated for use for stewardship and maintenance purposes.	The amount actually expended plus the amount of outstanding appropriations may not exceed 6% through 2010 and 15% for 2011 of the total revenues collected.	3,721,833 / 83,631,929 = 4.45%
Trails	Of the revenues received, after deductions for Planning and Stewardship, a maximum of 20% may be used for Trails.	The amount actually expended plus the amount of outstanding appropriations may not exceed 20% of the total revenues collected less the amount expended/appropriated for Planning and Stewardship.	14,298,192 / 77,934,110 = 18.35%
Parks	Of the revenues received, after deductions for Planning and Stewardship, a maximum of 20% may be used for Parks.	The amount actually expended plus the amount of outstanding appropriations may not exceed 20% of the total revenues collected less the amount expended/appropriated for Planning and Stewardship.	12,144,103 / 77,934,110 = 15.58%
Open Space	Of the revenues distributed, after deductions for Planning and Stewardship, a minimum of 60% may be used for Open Space.	The amount actually expended plus the amount of outstanding appropriations shall exceed 60% of the total amount expended and appropriated for Trails, Parks, and Open Space.	47,154,649 / 73,596,944 = 64.07%

Definitions assumed in Auditor's Interpretations and Calculations

Proceeds Collected - Total Revenue Collected. Interchangeable with "Revenues Received".

May be Allocated for Use - Total amount spent plus outstanding appropriations. Interchangeable with "Used".

Revenues Received - Total Revenue Collected. Interchangeable with "Proceeds Collected".

Revenues Distributed - Total expended for the project plus outstanding appropriations.

Used - Total amount spent plus outstanding appropriations. Interchangeable with "May be Allocated for Use".

Notes:

(1) - Paraphrase from section 4.6.202 of the City Code for the City of Colorado Springs

(2) - Financial numbers taken from Attachment B

CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

COLORADO SPRINGS, COLORADO

About our Office

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

Authorization and Organizational Placement

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

Audit Standards

The audit was conducted in a manner that meets or exceeds the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors, with the exception of the requirements under standards 1312 and 1321 to obtain an external quality assurance review once every five years. We do not believe this non-compliance impacted the quality of our audit.

The audit included interviews with appropriate personnel and such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.