



**CITY OF COLORADO SPRINGS
OFFICE OF THE CITY AUDITOR**

**08-14 – CITY OF COLORADO SPRINGS
TRAILS, OPEN SPACE, AND PARKS
(TOPS) FUND**

PUBLIC REPORT

SEPTEMBER 3, 2008

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Office of the City Auditor

Date: September 3, 2008
To: Honorable Mayor and Members of City Council
Re: 08-14 – Trails, Open Space, and Parks (TOPS) Fund

AUTHORIZATION

We performed an examination of the Trails, Open Space, and Parks (TOPS) Fund for the period January 1, 2006 to December 31, 2007. We conducted this examination under the authority of Chapter 1, Article 2, Part 706 and Chapter 4, Article 6, Part 203 of the City Code (Code), which state:

1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official.

4.6.203: BIENNIAL INDEPENDENT AUDIT:

The City shall adopt regulations requiring an independent biennial audit of the expenditures of all of the net proceeds from the sales tax and other revenue. The City Council, with City and advisory committee participation, shall regularly review the audits with a view to establishing expenditure priorities.

ORGANIZATIONAL PLACEMENT

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 City Council. The audited entity in this audit was the Park and Recreation Department, which is under the reporting structure of the City Manager. The City Manager is a City Council Appointee.

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE

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BACKGROUND

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. During October 2007 TOPS celebrated its 10th anniversary. According to the TOPS Ten-Year Anniversary Report presented to the City Manager on January 10, 2008 the TOPS Fund has added 5,575 acres of open space, 45 miles of trails, and 24 new neighborhood parks to the City.

OUR AUDIT

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. The audit included interviews with appropriate personnel and included such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

Based upon our audit, we noted the following:

The TOPS program was established to acquire and develop real property in the City and El Paso County pursuant to guidelines set forth in the ordinance. 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.

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.

Section 4.6.203 of the Code states “The City Council, with City and Advisory Committee participation, shall regularly review the audits with a view to establishing expenditure priorities.” To help you accomplish this, we have attached a three reports which contain pertinent financial information.

The reports are:

- Attachment A – Statement of Sources and Uses from inception to December 31, 2007.
- Attachment B – Summary of Compliance Calculations as of December 31, 2007.
- Attachment C – Detailed Compliance Calculations as of December 31, 2007.

Based on our review, we conclude that as of December 31, 2007, the TOPS Fund was in compliance with all five of the limitations found in section 4.6.202 of the City Code.

As always, feel free to contact me if you have any questions.

Sincerely,



Jeff Litchfield
City Auditor

cc: Penelope Culbreth-Graft, DPA City Manager
Terri Velasquez, Finance Director
Vicki Phillips, Accounting/Payroll Manager
Paul Butcher, Director, Parks, Recreation and Cultural Services
Christian Lieber, Manager, Design, Development and TOPS
TOPS Working Committee

**Attachment A
Trails, Open Space, and Parks (TOPS) Program
Statement of Sources and Uses
July 1, 1997 through December 31, 2007**

	Related to General Revenues*	Related to Borrowings**	Total
Sources:			
Sales and Use Tax	\$ 57,645,682	-	\$ 57,645,682
Intergovernmental	275,000	-	275,000
Charges for Services	51,964	-	51,964
Investment Income	1,484,187	380,419	1,864,606
Outstanding Debt	-	11,745,000	11,745,000
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Total Sources	59,456,833	12,125,419	71,582,252
 Uses:			
APM Fund	1,111,432	-	1,111,432
Stewardship/Maintenance	315,853	-	315,853
Trails	8,162,396	-	8,162,396
Parks	10,123,254	-	10,123,254
Open Space	33,063,531	10,568,145	43,631,676
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Total Uses	52,776,466	10,568,145	63,344,611
 Sources v. Uses	 \$ 6,680,367	 \$ 1,557,274	 \$ 8,237,641

APM = Administration, Planning and Management

* - 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 through December 31, 2007

	Actual Amounts Received or Expended	Outstanding Appropriations	Total Expended plus Outstanding Appropriations	Calculated Percent	City Code Limit	Status
Total Revenue Received	59,456,833					
Less:						
APM Fund	1,111,432	131,412	1,242,844	2.09%	LT 3%	Okay
Stewardship/Maintenance	<u>315,853</u>	218,053	533,906	0.90%	LT 6%	Okay
Equals Available for Projects	58,029,548					
Projects:						
Trails	8,162,396	2,690,725	10,853,121	18.82%	LT 20%	Okay
Parks	10,123,254	549,729	10,672,983	18.50%	LT 20%	Okay
Open Space	<u>33,063,531</u>	<u>822,289</u>	<u>33,885,820</u>	61.15%	GT 60%	Okay
Total Project Expenditures	51,349,181	4,062,743	55,411,924			
Remaining Balance	6,680,367					

APM = Administration, Planning and Management

Calculations can be found on Attachment C

Attachment C
Trails, Open Space, and Parks (TOPS) Program
Detailed Compliance Calculations
July 1, 1997 through December 31, 2007

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.	1,242,844 / 59,456,833 = 2.09%
Stewardship	Of the proceeds collected , a maximum of 6% may be allocated for use for stewardship and maintenance purposes.	The amount actually expended plus the amount of outstanding appropriations may not exceed 6% of the total revenues collected.	533,906 / 59,456,833 = 0.90%
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.	10,853,121 / 57,680,083 = 18.82%
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.	10,672,983 / 57,680,083 = 18.50%
Open Space	Of the revenues distributed, after deductions for Planning and Stewardship, a minimum of 60% shall 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.	33,885,820 / 55,411,924 = 61.15%

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. The denominator for the Trails and Parks calculation is the Total Revenue Received less the Total Expended and Outstanding Appropriations for the APM Fund and Stewardship/Maintenance (59,456,833-1,242,844-533,906=57,680,083).