

PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY

DBA PUEBLOPLEX

**INDEPENDENT AUDITOR'S REPORT
AND
CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT**

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

September 17, 2020

Board of Directors
Pueblo Depot Activity Development Authority
DBA PuebloPlex
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pueblo Depot Activity Development Authority, DBA PuebloPlex as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise PuebloPlex's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pueblo Depot Activity Development Authority, DBA PuebloPlex as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9 and budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pueblo Depot Activity Development Authority, DBA PuebloPlex's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PuebloPlex's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over financial reporting and compliance.

Darren Ross & *DeNardo, Inc.*

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017**

BACKGROUND

This Management's Discussion and Analysis of the Pueblo Depot Activity Development Authority DBA PuebloPlex's (The Authority's) financial performance is a required component of financial reporting under government accounting standards, including the Governmental Accounting Standards Board Statement No. 34 (GASB No. 34). This discussion and analysis was prepared by the Authority's management. It provides an overview of the financial activities of the Authority for the year ending December 31, 2019. It should be read in conjunction with the Authority's financial statements which follow in this report. Because GASB No. 34 is being applied it also includes a comparative analysis of 2019 to 2018 financial statements.

The Pueblo Depot Activity Development Authority is a single purpose government established in 1994 by the Colorado Legislature by House Bill 94-1265. The purpose of the Authority is to promote the reuse of the Pueblo Chemical Depot, thus creating employment opportunities, generating local tax revenue, and utilizing the resources of the Depot. The Authority is a political subdivision of the State of Colorado and a corporation, having only those powers granted to it by the legislature.

The Pueblo Chemical Depot is a U.S. Army installation located in northeast Pueblo County. It was established in 1942 and has served our nation in times of war and peace for over 70 years. The Depot consists of over 23,000 acres of land and more than 1,200 buildings. In 1988, Congress directed the Depot to be "realigned" pursuant to the Base Realignment and Closure Act (BRAC). All but two Army missions at the Depot were either terminated or relocated to other installations. The two missions that remain are: chemical weapons stockpile and environmental cleanup. Most of the Depot's 1,200+ buildings are vacant and considered "unutilized" by the Army.

The Authority was established in 1994 and entered into a Master Lease with the Secretary of the Army in 1996 for some of the vacant buildings on the Depot. The Authority now has 745 buildings, containing 3,077,973 sq. ft., under its Master Lease. There are also numerous open storage areas under the Master Lease whose square footage is not included in the aforementioned 3 million. The Authority has also received many pieces of equipment from the Army via a no-cost economic development conveyance (EDC) for personal property. Note the buildings and storage areas are a lease interest and the equipment is an ownership interest. The Authority's buildings and equipment are rented to tenants, which include individuals, businesses, and other governmental entities.

OVERVIEW OF FINANCIAL STATEMENTS

The Authority's basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements.

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority implemented GASB No. 34 beginning with its 2004 audit. GASB No. 34 requires this Management's Discussion and Analysis.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The Statement of Net Position presents the financial position of the Authority. It presents information on the Authority's assets and liabilities, with the difference between the two reported as net position.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The Statement of Cash Flows presents information on the effects changes in assets and liabilities have on cash during the course of the year.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13 through 19 of this report.

A condensed summary of the Authority's Statement of Net Position for 2019, 2018 and 2017 is presented below:

Table 1

Statement of Net Position	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Assets	\$ 5,912,989	\$ 4,590,839	\$3,071,455
Total Liabilities	(202,483)	(157,291)	(189,012)
Deferred Inflows of Resources	<u>(880,188)</u>	<u>(866,658)</u>	<u>(757,263)</u>
Total Net Position	<u>\$ 4,830,318</u>	<u>\$ 3,566,890</u>	<u>\$2,125,180</u>

The Authority's total net position for 2019 increased \$1,263,428 being 35.4% above 2018.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

ASSETS AND LIABILITIES

The 2019 total assets of the Authority are \$5,912,989. The majority (64.0%) of the total assets is held in the form of cash, cash equivalents and investments. Other assets include prepaid expenses such as insurance premiums and prepaid water fee, accounts receivable, intergovernmental receivable, interest receivable and depreciable equipment and leasehold improvements.

Table 2

Assets	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets –			
Cash and cash equivalents	\$ 699,554	\$ 714,399	\$ 1,182,482
Certificates of deposit	3,082,747	2,026,228	1,043,535
Interest receivable	9,598	5,616	1,644
Accounts receivable	575,098	471,501	170,662
Intergovernmental receivable	372,239	518,783	567,783
Prepaid expenses	<u>252,483</u>	<u>240,503</u>	<u>9,471</u>
Total Current Assets	<u>4,991,719</u>	<u>3,977,030</u>	<u>2,975,577</u>
Noncurrent Assets –			
Capital assets, net of depreciation	<u>921,270</u>	<u>613,809</u>	<u>95,878</u>
Total Assets	<u>\$ 5,912,989</u>	<u>\$ 4,590,839</u>	<u>\$ 3,071,455</u>

Comparing 2019 to 2018 shows the Total Assets of the Authority increased by \$1,322,150, being 28.8%. The increase is largely the result of an increase in certificates of deposit, prepaid expenses and capital assets. Nearly all subleases are now on a calendar year basis and invoices are sent out in December for the upcoming calendar year. The majority of the sublease revenue for the upcoming calendar year is received in December.

Table 3

Liabilities	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Liabilities –			
Accounts payable	\$ 142,898	\$ 98,843	\$ 135,855
Accrued vacation	<u>59,585</u>	<u>58,448</u>	<u>53,157</u>
Total Current Liabilities	<u>202,483</u>	<u>157,291</u>	<u>189,012</u>
Deferred Inflows of Resources –			
Unearned revenue	<u>880,188</u>	<u>866,658</u>	<u>757,263</u>
Total Liabilities and Deferred Inflows	<u>\$ 1,082,671</u>	<u>\$ 1,023,949</u>	<u>\$ 946,275</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

ASSETS AND LIABILITIES (Continued)

The 2019 total current liabilities of the Authority are \$202,483. Comparing 2019 to 2018 shows the total current liabilities of the Authority increased by \$45,192, being 28.7%. 2019 unearned revenues were \$880,188, an increase of \$13,530 (1.6%), which is again related to the sublease policy and the timing of the invoicing and receiving sublease payments. None of the current liabilities in 2019 and 2018 is due to the Army. Effective December 1, 2017 the Authority gets to keep and use all of the rent income whereas in 2016 and before when a tenant subleased a building from the Authority, a portion of the rent was payable to the Army. The portion payable to the Army was established by the U.S. Army Corps of Engineers and was set forth in the old Master Lease. Instead of paying the Army with money, the Authority pays with "offsets to consideration", repairs and improvements to the Depot at a dollar-for-dollar rate. Management feels it is important to note that the Authority has no long-term debt.

NET POSITION

Table 4

Net Position	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Position –			
Invested in capital assets (e.g., equipment)			
– net of related debt	\$ 921,270	\$ 613,809	\$ 95,878
Unrestricted	<u>3,909,048</u>	<u>2,953,081</u>	<u>2,029,302</u>
Total Net Position	<u>\$ 4,830,318</u>	<u>\$ 3,566,890</u>	<u>\$ 2,125,180</u>

Total net position is a good indicator of the Authority's vitality at a point in time (e.g., December 31st) because it consists of mostly "unrestricted" funds the Authority can expend on its operations without restriction other than Colorado law. The Authority had an \$1,263,428 (35.4%) increase in total net position from 2018 to 2019.

AUTHORITY REVENUE

The 2019 total general revenue of the Authority is \$3,251,706. This amount consists of operating sublease revenues, federal grant income, interest income, equipment rental, and gain on sales of obsolete assets. The Authority had \$790,642 grant general revenue. The Authority's total general revenue for 2019 increased \$37,430, being an increase of 1.2% over 2018. While sublease revenues increased by \$190,716, intergovernmental grant revenue decreased by \$338,225.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

AUTHORITY REVENUE (Continued)

Table 5

Authority General Revenue	<u>2019</u>	<u>2018</u>	<u>2019</u> <u>Change</u>	<u>2017</u>
Operating Revenues –				
Sublease revenue	\$ 2,014,242	\$ 1,823,526	\$ 190,716	\$ 754,805
Equipment rental	1,586	1,563	23	1,685
Intergovernmental	790,642	1,128,867	(338,225)	1,684,298
Miscellaneous	380,562	235,531	145,031	391,255
Other Revenues –				
Interest income	64,674	24,789	39,885	18,573
Gain on sale of assets	-	-	-	-
Total Authority General Revenue	<u>\$ 3,251,706</u>	<u>\$ 3,214,276</u>	<u>\$ 37,430</u>	<u>\$ 2,850,616</u>

In addition to the above total Authority general revenue, we collected property taxes and insurance from some tenants as noted in Table 6.

Table 6

Property tax escrow	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Taxes	<u>\$ 52,379</u>	<u>\$ 51,185</u>	<u>\$ 45,277</u>

Although the Authority is a political subdivision of the State of Colorado, the Authority does not have the power to levy taxes. For their buildings subleased on the depot, our tenants do pay the local property taxes of the county, school district, and library district. The Authority collects the estimated property tax concurrent with the rent payment. The Authority collected \$52,379 for 2019 property taxes. In 2020, the Authority paid to the Pueblo County Treasurer \$43,889 for 2019 taxes. Any overage will be refunded directly to the tenants or will be held in escrow and credited on sublease renewals or refunded on cancellation per the Authority's policy adopted in 2011.

EXPENDITURES

The 2019 Total Operating Expenses of the Authority was \$1,988,278 which is \$215,712 (12.2%) higher than 2018. The most notable increase is due to repairs of facilities expenses and a decrease of expenses were associated with the federal grant revenue. Expenses directly related to the federal grant revenue totaled \$790,642 for 2019. These grant expenses will continue into 2020 and may be higher.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

Table 7

Operating Expenses	<u>2019</u>	<u>2018</u>	<u>2019 Change</u>	<u>2017</u>
Salaries	\$ 572,876	\$ 501,742	\$ 71,134	\$ 443,581
Payroll taxes and employee benefits	132,627	126,146	6,481	114,714
Travel	41,970	29,110	12,860	30,162
Equipment	22,733	21,066	1,667	17,849
Operating supplies and expenses	26,884	24,417	2,467	21,418
Contract	222,346	591,064	(368,718)	1,478,210
Insurance	24,142	16,840	7,302	5,542
Utilities/office rent	239,153	224,354	14,799	2,866
Repairs	509,956	192,318	317,638	80,584
Marketing/organization expenses	23,415	9,535	13,880	55,538
Miscellaneous	643	4,412	(3,769)	3,297
Bad debt expense	92,838	8,000	84,838	26,074
Depreciation	<u>78,695</u>	<u>23,562</u>	<u>55,133</u>	<u>14,458</u>
Total Operating Expenses	<u>\$ 1,988,278</u>	<u>\$ 1,772,566</u>	<u>\$ 215,712</u>	<u>\$ 2,294,293</u>

FINANCIAL POSITION

The Authority's overall financial position is strong. We have no long-term debt. There are liquid assets in the form of cash and certificates of deposit. Our Net Position is \$4,830,318, an increase of 35.4% from 2018. The primary reason for this increase is the increase in leased space. At December 31, 2018, the Authority's "subleased area" of outdoor storage space totaled 839,215 square feet and the Authority's building leased space totaled 1,671,175 square feet. The trend towards increasing subleased building space continues to remain positive.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

SIGNIFICANT CHANGES

Management does not believe any transaction was significant.

The Authority's 2019 Budget was initially adopted December 13, 2018. There were no budget amendments for 2019.

No infrastructure asset is owned by the Authority; therefore, there is no change to report.

In 2012, the Authority began a program to auction a portion of the surplus personal property received from the Army through No-Cost Economic Development Conveyances (EDC), which began in 2001 and ended in 2009. The surplus personal property has been stored at the Depot and since much of the equipment is, or will be, obsolete, the Authority decided it would be a prudent decision to conduct an online auction program through a third party, Government Liquidations. The auctions began in October 2012 and generated a net income of \$205,662 in 2013 and a net income of \$74,770 in 2014. There were no sales of personal property in 2019 or 2018. The process may continue into 2020 depending on the remaining personal property inventory on hand.

The Army provides many support services (e.g., fire department, security), utilities (e.g., potable water, sanitary sewer) and maintains much of the Depot's infrastructure. If the Army were to cease providing these items or charge fees for their provision, it could significantly alter and harm the financial stability of the Authority. Also, the loss of a major tenant could adversely affect the Authority's long-term viability.

REQUEST FOR INFORMATION

If you have questions, please contact the Accounting Manager, PuebloPlex, P. O. Box 11467, Pueblo, Colorado 81001-0467.

BASIC FINANCIAL STATEMENTS

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 699,554	\$ 714,399
Investments	3,082,747	2,026,228
Receivables -		
Accounts	575,098	471,501
Intergovernmental	372,239	518,783
Interest	9,598	5,616
Prepaid expenses	252,483	240,503
TOTAL CURRENT ASSETS	<u>4,991,719</u>	<u>3,977,030</u>
CAPITAL ASSETS		
Machinery and equipment	263,284	263,284
Leasehold improvements	936,373	550,217
Less accumulated depreciation	(278,387)	(199,692)
TOTAL CAPITAL ASSETS	<u>921,270</u>	<u>613,809</u>
TOTAL ASSETS	<u>5,912,989</u>	<u>4,590,839</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	142,898	98,843
Accrued compensated absences	59,585	58,448
TOTAL CURRENT LIABILITIES	<u>202,483</u>	<u>157,291</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	<u>880,188</u>	<u>866,658</u>
NET POSITION		
Net investment in capital assets	921,270	613,809
Unrestricted	<u>3,909,048</u>	<u>2,953,081</u>
TOTAL NET POSITION	<u>\$ 4,830,318</u>	<u>\$ 3,566,890</u>

The accompanying notes to financial statements are an integral part of this statement.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Sublease rentals	\$ 2,014,242	\$ 1,823,526
Intergovernmental	790,642	1,128,867
Equipment rental	1,586	1,563
Miscellaneous	380,562	235,531
TOTAL OPERATING REVENUE	<u>3,187,032</u>	<u>3,189,487</u>
OPERATING EXPENSES		
Personnel	572,876	501,742
Payroll taxes and fringe benefits	132,627	126,146
Travel	41,970	29,110
Equipment	22,733	21,066
Operating supplies and expenses	26,884	24,417
Contract	222,346	591,064
Insurance	24,142	16,840
Utilities	236,153	221,354
Office rent	3,000	3,000
Repairs	509,956	192,318
Marketing expense	23,415	9,535
Miscellaneous	643	4,412
Bad debt expense	92,838	8,000
Depreciation	78,695	23,562
TOTAL OPERATING EXPENSES	<u>1,988,278</u>	<u>1,772,566</u>
OPERATING INCOME	<u>1,198,754</u>	<u>1,416,921</u>
OTHER REVENUES (EXPENSE)		
Interest earned	64,674	24,789
TOTAL OTHER REVENUE (EXPENSE)	<u>64,674</u>	<u>24,789</u>
CHANGE IN NET POSITION	<u>1,263,428</u>	<u>1,441,710</u>
NET POSITION, JANUARY 1	<u>3,566,890</u>	<u>2,125,180</u>
NET POSITION, DECEMBER 31	<u>\$ 4,830,318</u>	<u>\$ 3,566,890</u>

The accompanying notes to financial statements are an integral part of this statement.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments from customers	\$ 3,243,510	\$ 3,047,043
Payments to employees	(700,851)	(618,760)
Payments to suppliers	<u>(1,175,521)</u>	<u>(1,392,997)</u>
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,367,138</u>	<u>1,035,286</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(386,156)</u>	<u>(541,493)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) maturity of investments	(1,056,519)	(982,693)
Interest received	<u>60,692</u>	<u>20,817</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(995,827)</u>	<u>(961,876)</u>
 NET INCREASE (DECREASE) IN CASH	<u>(14,845)</u>	<u>(468,083)</u>
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>714,399</u>	<u>1,182,482</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 699,554</u>	<u>\$ 714,399</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	<u>\$ 1,198,754</u>	<u>\$ 1,416,921</u>
Adjustments to reconcile net operating income to net cash provided by operating activities -		
Bad debt expense	92,838	8,000
Depreciation	78,695	23,562
Changes in assets and liabilities -		
(Increase) decrease in accounts receivable	(196,435)	(308,839)
(Increase) decrease in intergovernmental receivable	146,544	49,000
(Increase) decrease in prepaid expenses	(11,980)	(231,032)
Increase (decrease) in accounts payable	44,055	(37,012)
Increase (decrease) in accrued expenses	1,137	5,291
Increase (decrease) in unearned revenue	<u>13,530</u>	<u>109,395</u>
Total Adjustments	<u>168,384</u>	<u>(381,635)</u>
 NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,367,138</u>	<u>\$ 1,035,286</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pueblo Depot Activity Development Authority (the Authority) was created in 1994 under the laws of the State of Colorado as an independent political subdivision of the State of Colorado. It operates under the jurisdiction of a board of directors consisting of seven members, three of which are appointed by the City Council of the City of Pueblo, Colorado, three are appointed by the County Commissioners of the County of Pueblo, Colorado, and one is jointly appointed by the City Council and the County Commissioners. The Authority was created to secure land, buildings and equipment from the United States Army in an attempt to develop the Pueblo Chemical Depot facility which has been realigned under provisions of federal law.

Effective January 1, 2013, the Authority officially began doing business as “PuebloPlex”.

Summary of Significant Accounting Policies

The accompanying summary of the Authority’s more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and reporting principles.

As required by GAAP, management has considered all potential component units in defining its reporting entity. Based on the criteria established by GAAP, the Authority has no component units.

Enterprise Fund

The Authority is operated as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to those benefited be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net revenue, financial position and cash flows is appropriate for capital maintenance, management control, accountability or other purposes. The acquisition, maintenance, and improvement of the physical plant facilities, required to provide these goods or services, are financed from existing cash resources, Federal or State grants, capital leases, etc. The generally accepted accounting principles here are those applicable to similar businesses in the private sector and, therefore, are recognized on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method all assets and liabilities associated with operations are included on the statements of net position, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Enterprise Fund (Continued)

Net position, i.e., total assets net of total liabilities, is segregated into three components, if applicable. These components are invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – This component of net position consists of restrictions placed on net position use through external constraints, imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted net position” or “invested in capital assets, net of related debt”.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budget

The Authority annually adopts a budget for the following year. This process begins in October when the President and CEO prepares a preliminary budget of the following year’s expenses and capital asset needs. The preliminary budget is presented to the personnel and budget committee. The committee solicits additional guidance from the board chair. The committee’s recommendations are used in the preparation of the draft budget. Early in December, the budget is presented to the board of directors and upon formal adoption, is submitted to the State of Colorado, the City of Pueblo, Colorado, and the County of Pueblo, Colorado.

The current year budget is reviewed by the committee to assess the need for formal amendment, if necessary. The current year budget amendment follows a parallel and concurrent approval schedule with the next year’s budget.

The budget is prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The use of this measurement focus generally provides that revenues are recognized when received and expenditures are recognized when paid. The legal level of control for expenditures is at the total level, which is to say any modifications which change the budget in total requires the board of directors’ approval.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid accounts, including cash in checking and certificates of deposit with a maturity of three months or less to be cash equivalents.

Receivables

Accounts receivable include amounts due from tenants and, where appropriate, are reduced by an estimated amount expected to be uncollectible.

Prepaid expenses

Prepaid expenses include amounts paid for items that benefit the next year; insurance and replacement water. At December 31, 2019, the amount that is for 2020 replacement water is \$228,651.

Capital Assets

Capital assets are stated at cost or estimated historical cost, net of accumulated depreciation. Donated assets are recorded at their estimated fair value on the date contributed. Effective January 1, 2011, the Authority established a capitalization level of \$2,500 for acquired capital assets and contributed assets. Prior to that date, the capitalization level was \$100. Effective January 1, 2019, the Authority adopted the following for assets to be capitalized: (a) normal maintenance and repairs are expensed when incurred, (b) must have an estimated useful life of more than one year, (c) equipment purchased with a value of more than \$5,000, (d) an item acquired by no-cost economic development conveyance (EDC) with a value of more than \$5,000 per item, and (e) substantial improvements made to purchased or leased buildings and real estate in the amount of \$25,000 or greater is capitalized.

Depreciation of capital assets is computed on the straight-line method based on estimated lives of assets. Estimated useful lives used in computing depreciation are as follows:

Furniture, fixtures, equipment, and leasehold improvements	5-20 years
--	------------

The difference between the cost of assets removed from service and the amount of accumulated depreciation at the time of removal is written off as loss on abandonment of assets.

Unearned Revenues

Unearned revenues represent cash received by the Authority in advance of the revenue being earned. The unearned revenue generally consists of cash received for prepayments on sublease agreements.

Retirement Plan

The Authority has established a retirement plan for the benefit of all eligible employees. The contribution to the plan is based on a percentage of each employee's gross compensation.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation benefits and are compensated for these accumulated vacation benefits through paid time off or at termination or retirement. Employees are compensated for accumulated sick leave only when sick days are taken and, thus, accrued sick leave is not recorded as a liability.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues in the statement of revenues, expenses and changes in net position. For this purpose, revenues generated by leasing arrangements are reported as operating revenues, while operating expenses principally include administrative expenses. Nonoperating revenues represent interest earned and gain on sales of assets.

Risk Exposure

The Authority is exposed to various risks of loss related to torts, property and casualty losses, errors and omissions, injuries to employees and natural disasters. It is the policy of the Authority to purchase commercial insurance, including worker's compensation, for the risks of loss to which it is exposed. Under this arrangement, the Authority assumes the risk for the amount of loss where sound risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

Under the terms of the master lease with the U.S. Army, the Authority may be liable to clean up costs associated with any environmental damage caused by the Authority or any of its sub lessees.

Reclassifications

Certain prior year amounts have been reclassified to conform with present year presentations.

NOTE 2- CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority does not have a formal investment policy. Cash received by the Authority is deposited in a bank or invested in certificates of deposit. The Colorado Public Deposit Protection Act requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state legislators. Amounts on deposit in excess of Federal insurance must be collateralized. The eligible collateral is determined by the Public Deposit Protection Act. This act allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Colorado law authorizes the Authority to invest in the following types of obligations:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Commercial paper limited to securities with highest rating category by at least one nationally recognized rating agency at time of purchase
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Local government investment pools

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a deposit risk policy for credit risk. At December 31, 2019 and 2018, the Authority’s cash deposits with a bank balance of \$3,832,419 and \$2,743,753 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution’s agent in the institution’s name.

Cash and cash equivalents and certificates of deposit are reported as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 699,554	\$ 714,399
Certificates of deposit	<u>3,082,747</u>	<u>2,026,228</u>
Total Deposits	<u>\$ 3,782,301</u>	<u>\$ 2,740,627</u>

The Authority only invests idle funds in institutions and instruments that are permitted by the State of Colorado and thus places no limit on the amount the Authority may invest in any one issuer. More than 5 percent of the Authority’s deposits are in a checking account and certificates of deposit with Legacy Bank – Pueblo.

Based on the amounts reported on the Statements of Net Position, these deposits are 100.00% of the Authority’s total deposits at December 31, 2019 and 2018 respectively.

The Authority is subject to the provisions of Colorado Revised Statutes 24-75-601 which is titled “Concerning Investment in Securities by Public Entities”. This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include those items listed above. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 – CAPITAL ASSETS

Capital assets for 2019 consist of the following:

	Balance January 1 <u>2019</u>	<u>Additions</u>	Retirements and <u>Deletions</u>	Balance December 31 <u>2019</u>
Equipment	\$ 263,284	\$ -	\$ -	\$ 263,284
Leasehold improvements	550,217	386,156	-	936,373
Accumulated depreciation	<u>(199,692)</u>	<u>(78,695)</u>	-	<u>(278,387)</u>
	<u>\$ 613,809</u>	<u>\$ 307,461</u>	<u>\$ -</u>	<u>\$ 921,270</u>

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 – CAPITAL ASSETS (Continued)

Capital assets for 2018 consist of the following:

	Balance January 1 2018	Additions	Retirements and Deletions	Balance December 31 2018
Equipment	\$ 223,434	\$ 39,850	\$ -	\$ 263,284
Leasehold improvements	48,574	501,643	-	550,217
Accumulated depreciation	<u>(176,130)</u>	<u>(23,562)</u>	<u>-</u>	<u>(199,692)</u>
	<u>\$ 95,878</u>	<u>\$ 517,931</u>	<u>\$ -</u>	<u>\$ 613,809</u>

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable for December 31, 2019 and 2018 are comprised of amounts due to the Pueblo County Treasurer for property taxes of \$43,889 and \$33,668, respectively, and operating expenses of \$99,009 and \$65,175, respectively.

NOTE 5 – SUBLEASE RENTS

The Authority has entered into a master lease with the United State Army which allows the Authority to sublease certain buildings and other equipment located at the Pueblo Chemical Depot. Effective December 1, 2017, the Authority can use 100% of rents collected for operations. Prior to that date, a portion of all sublease rents received by the Authority was termed an “offset to consideration” and was recognized as a liability to the U.S. Army. At no time was the Army’s portion of the sublease rents recognized as revenue by the Authority. The master lease allowed the Authority to use the Army’s portion of the rents received to make approved repairs or other improvements depot-wide or to specific sublease property or other leased property. The value of the repairs offsets the Authority’s liability to the Army. The remaining amount of sublease rent revenues received, rental of equipment (EDC) and other repairs and improvements reimbursed by the tenants are considered revenues to the Authority.

NOTE 6 – DEFINED CONTRIBUTION PENSION PLAN

The Authority contributes to an Internal Revenue Code (IRC) 408(k) plan (the Plan) for all full-time employees and the Plan is administered by E-Trade Securities.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Directors. The Authority has elected to contribute 10% of each employee’s salary with no employee contributions allowed. For the years ended December 31, 2019 and 2018, employer contributions totaled \$57,288 and \$50,174, respectively and the Authority recognized pension expense of \$57,288 and \$50,174, respectively.

The employees are fully vested in the Authority’s contributions and the earnings on those contributions.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 – COMMITMENTS AND CONTINGENCIES

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments except those which meet the definition of an enterprise. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment. The Authority has made certain interpretations of the amendment's language in order to determine its compliance.

The Authority is economically dependent on the United States Army since substantially all sublease revenues of the Authority are generated from property owned by the Army.

The Authority received funding from a federal grant which may be subject to regulatory or other oversight by the granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by the granting agency would become a liability to the Authority. There are no such proceedings presently in progress.

NOTE 8 – SUBSEQUENT EVENTS

COVID-19 Pandemic

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from the uncertainty caused by the world-wide coronavirus pandemic. The Authority has been affected by the coronavirus pandemic in a number of ways.

The Authority had to close its facilities for period of time. Different protocols had to be arrived at before the doors to facilities were reopened.

The Authority has been fortunate that most funding has continued, and no employees have been laid off.

At this time, the effects of any future impacts are unknown and may be significant.

REQUIRED SUPPLEMENTARY INFORMATION

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
STATEMENT OF REVENUES AND EXPENDITURES
AS COMPARED WITH BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
REVENUES				
General revenues -				
Sublease revenues	\$ 1,960,213	\$ 1,960,213	\$ 2,014,242	\$ 54,029
Interest	40,000	40,000	64,674	24,674
PCD water revenues	226,020	226,020	244,131	18,111
Miscellaneous	1,240	1,240	21,758	20,518
EDC equipment rent	1,700	1,700	1,586	(114)
Cleaning and repairs	18,750	18,750	114,673	95,923
Intergovernmental grant revenue	1,067,949	1,067,949	790,642	(277,307)
TOTAL REVENUES	3,315,872	3,315,872	3,251,706	(64,166)
EXPENDITURES				
Fund and project activities -				
Personnel	549,247	549,247	572,876	23,629
Fringe benefits	161,357	161,357	132,627	(28,730)
Travel	40,000	40,000	41,970	1,970
Equipment	3,500	3,500	22,733	19,233
Operating supplies	41,300	41,300	26,884	(14,416)
Marketing/development expense	38,500	38,500	23,415	(15,085)
Contract	517,569	517,569	222,346	(295,223)
Insurance	17,902	17,902	24,142	6,240
Utilities	2,500	2,500	236,153	233,653
Office rent	3,000	3,000	3,000	-
Repairs - non-offset	1,133,020	1,133,020	896,112	(236,908)
Miscellaneous	-	-	643	643
Contingency	150,000	150,000	-	(150,000)
TOTAL EXPENDITURES	2,657,895	2,657,895	2,202,901	(454,994)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 657,977	\$ 657,977	1,048,805	
GAAP BASIS ADJUSTMENT				
Bad debt expense			(92,838)	
Depreciation			(78,695)	
Capitalized leasehold improvements - repairs-non-offset			386,156	
CHANGE IN NET POSITION			\$ 1,263,428	

The accompanying notes to financial statements are an integral part of this statement.

COMPLIANCE SECTION

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Pass- through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF DEFENSE OFFICE OF ECONOMIC ADJUSTMENT Direct assistance - Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	-	-	\$ <u>790,642</u>
TOTAL U.S. DEPARTMENT OF DEFENSE				\$ <u>790,642</u>

The accompanying notes to financial statements are an integral part of this schedule.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Pueblo Depot Activity Development Authority, DBA Pueblo_Plex under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Pueblo Depot Activity Development Authority, DBA PuebloPlex it is not intended to and does not present the financial position or changes in net position or cash flows of the Pueblo Depot Activity Development Authority, DBA PuebloPlex.

NOTE 2 – RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The Authority does qualify as a low-risk auditee.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in *OMB Circular A-87; Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Pueblo Depot Activity Development Authority has elected to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.

Garren, Ross & DeNardo, Inc.

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September 17, 2020

Board of Directors
Pueblo Depot Activity Development Authority
DBA PuebloPlex
Pueblo, Colorado

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pueblo Depot Activity Development Authority, DBA PuebloPlex as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise Pueblo Depot Activity Development Authority, DBA PuebloPlex's basic financial statements, and have issued our report thereon dated September 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control. Accordingly, we do not express an opinion on the effectiveness of Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pueblo Depot Activity Development Authority, DBA PuebloPlex's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Darren Ross ; *DeNardo, Inc.*

Garren, Ross & DeNardo, Inc.

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September 17, 2020

Board of Directors
Pueblo Depot Activity Development Authority
DBA PuebloPlex
Pueblo, Colorado

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect each of Pueblo Depot Activity Development Authority, DBA PuebloPlex's major federal programs for the year ended December 31, 2019. Pueblo Depot Activity Development Authority, DBA PuebloPlex's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pueblo Depot Activity Development Authority, DBA PuebloPlex's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance.

Opinion on the Major Federal Program

In our opinion, Pueblo Depot Activity Development Authority, DBA PuebloPlex, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of Pueblo Depot Activity Development Authority, DBA PuebloPlex is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Darren Ross ; DeMar do, Inc.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2019**

SECTION I – SUMMARY OF AUDIT RESULTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation

Dollar amount used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee: X Yes _____ No

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None