

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY**

**DBA PUEBLOPLEX**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**CERTAIN SUPPLEMENTAL INFORMATION  
PRESENTED FOR PURPOSES OF A SINGLE AUDIT**

**DECEMBER 31, 2022 AND 2021**

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# *Garren, Ross & DeNardo, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA  
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September 14, 2023

## **Independent Auditor's Report**

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

## **Report on the Audit of the Financial Statements**

### ***Qualified Opinion***

We have audited the accompanying financial statements of the business-type activities of Pueblo Depot Activity Development Authority, DBA PuebloPlex (the Authority) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2022 and 2021, 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.

### ***Basis for Qualified Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Matter Giving Rise to the Qualified Opinion**

Management has not adopted GASB No. 87, Leases. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses has not been determined.

### ***Responsibilities of Management for the Financial Statements***

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

Board of Directors  
Pueblo Depot Activity Development Authority DBA PuebloPlex

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

*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, 2022, 2021, AND 2020**

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**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, 2022. 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 2022 to 2020 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: closure 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. There are also numerous open storage areas under the Master Lease and vacant land. 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, 2022, 2021, AND 2020**

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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 12 through 19 of this report.

A condensed summary of the Authority's Statement of Net Position for 2022, 2021 and 2020 is presented below:

**Table 1**

| <b>Statement of Net Position</b> | <b><u>2022</u></b>         | <b><u>2021</u></b>        | <b><u>2020</u></b>        |
|----------------------------------|----------------------------|---------------------------|---------------------------|
| Total Assets                     | \$10,690,506               | \$8,359,843               | \$7,122,916               |
| Total Liabilities                | <u>(2,803,792)</u>         | <u>(1,155,582)</u>        | <u>(1,044,792)</u>        |
| <b>Total Net Position</b>        | <b><u>\$ 7,886,714</u></b> | <b><u>\$7,204,261</u></b> | <b><u>\$6,078,124</u></b> |

The Authority's total net position for 2022 increased \$682,453 being 9.5% above 2021.

**ASSETS AND LIABILITIES**

The 2022 total assets of the Authority are \$10,690,506. The majority (53.1%) of the total assets are held in the form of cash, cash equivalents and investments (certificates of deposit). Other assets include prepaid expenses such as insurance premiums and prepaid water fee, accounts receivable, intergovernmental receivable, interest receivable, investment in AGUA, and depreciable equipment and leasehold improvements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
DBA PUEBLOPLEX  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020**

**Table 2**

| <b>Assets</b>                       | <b><u>2022</u></b>          | <b><u>2021</u></b>         | <b><u>2020</u></b>         |
|-------------------------------------|-----------------------------|----------------------------|----------------------------|
| Current Assets –                    |                             |                            |                            |
| Cash and cash equivalents           | \$ 396,330                  | \$ 903,081                 | \$ 1,027,069               |
| Certificates of deposit             | 3,659,868                   | 3,146,307                  | 2,306,029                  |
| Interest receivable                 | 17,158                      | 6,513                      | 7,009                      |
| Accounts receivable                 | 575,313                     | 955,199                    | 636,587                    |
| Intergovernmental receivable        | 225,347                     | 86,894                     | 49,657                     |
| Prepaid expenses                    | <u>256,025</u>              | <u>41,203</u>              | <u>2,306</u>               |
| Total Current Assets                | <u>\$ 5,130,041</u>         | <u>5,139,197</u>           | <u>4,028,657</u>           |
| Noncurrent Assets –                 |                             |                            |                            |
| Certificates of deposit             | 1,615,885                   | 2,123,753                  | 2,097,627                  |
| AGRA stock                          | 96,800                      | 96,800                     | 96,800                     |
| Capital assets, net of depreciation | <u>3,847,780</u>            | <u>1,000,093</u>           | <u>899,832</u>             |
| Total Noncurrent Assets             | <u>5,560,465</u>            | <u>3,220,646</u>           | <u>3,094,259</u>           |
| <b>Total Assets</b>                 | <b><u>\$ 10,690,506</u></b> | <b><u>\$ 8,359,843</u></b> | <b><u>\$ 7,122,916</u></b> |

Comparing 2022 to 2021 shows the total assets of the Authority increased by \$2,377,328, being 28.4%. The increase is primarily the result of an increase in intergovernmental receivables, prepaid expenses and capital asset purchases. 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**

| <b>Liabilities</b>           | <b><u>2022</u></b>         | <b><u>2021</u></b>         | <b><u>2020</u></b>         |
|------------------------------|----------------------------|----------------------------|----------------------------|
| Current Liabilities –        |                            |                            |                            |
| Line of Credit Payable       | \$ 1,943,662               | \$ -                       | \$ -                       |
| Accounts payable             | 195,375                    | 151,519                    | 75,919                     |
| Accrued compensated absences | 60,652                     | 55,985                     | 57,169                     |
| Unearned revenue             | <u>604,103</u>             | <u>948,078</u>             | <u>911,704</u>             |
| Total Current Liabilities    | <u>2,803,792</u>           | <u>1,155,582</u>           | <u>1,044,792</u>           |
| <b>Total Liabilities</b>     | <b><u>\$ 2,803,792</u></b> | <b><u>\$ 1,155,582</u></b> | <b><u>\$ 1,044,792</u></b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
DBA PUEBLOPLEX  
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The 2022 total current liabilities of the Authority are \$2,803,792. Comparing 2022 to 2021 shows the total current liabilities of the Authority increased by \$1,648,209, being 142.6%. 2022 unearned revenue was \$604,103, a decrease of \$343,948 (33.2%), which is again related to the sublease policy and the timing of the invoicing and receiving sublease payments. None of the current liabilities in 2022 and 2021 is due to the Army. Effective December 1, 2017 the Authority is able to 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.

**Table 4**

| <b>Net Position</b>                          | <b><u>2022</u></b>         | <b><u>2021</u></b>         | <b><u>2020</u></b>         |
|--|----------------------------|----------------------------|----------------------------|
| Net Position –                               |                            |                            |                            |
| Invested in capital assets (e.g., equipment) |                            |                            |                            |
| – net of related debt                        | \$ 1,857,643               | \$ 1,000,093               | \$ 899,832                 |
| Unrestricted                                 | <u>6,029,071</u>           | <u>6,204,168</u>           | <u>5,178,292</u>           |
| <b>Total Net Position</b>                    | <b><u>\$ 7,886,714</u></b> | <b><u>\$ 7,204,261</u></b> | <b><u>\$ 6,078,124</u></b> |

Total net position is a good indicator of the Authority's vitality at a point in time (e.g., December 31<sup>st</sup>) because it consists of mostly "unrestricted" funds the Authority can expend on its operations without restriction other than Colorado law. The Authority had a \$682,453 (9.5%) increase in total net position from 2021 to 2022.

**AUTHORITY REVENUE**

The 2022 total revenue of the Authority is \$2,857,460. This amount consists of operating sublease revenues, federal grant income, interest income, and equipment rental. The Authority had \$864,519 grant revenue. The Authority's total revenue for 2022 decreased \$52,251, being a decrease of 3.0% compared to 2021. While sublease revenues decreased by \$61,475, intergovernmental grant revenue increased by \$123,664.

**Table 5**

| <b>Authority Revenue</b>       | <b><u>2022</u></b>         | <b><u>2021</u></b>         | <b><u>2022<br/>Change</u></b> | <b><u>2020</u></b>         |
|--------------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|
| Operating Revenues –           |                            |                            |                               |                            |
| Sublease revenue               | \$ 1,690,112               | \$ 1,751,587               | \$ (61,475)                   | \$ 2,014,926               |
| Equipment rental               | 662                        | 740                        | (78)                          | 500                        |
| Intergovernmental              | 864,519                    | 740,855                    | 123,664                       | 697,024                    |
| Miscellaneous                  | 257,816                    | 372,642                    | (114,826)                     | 267,155                    |
| Other Revenues –               |                            |                            |                               |                            |
| Interest income                | <u>44,351</u>              | <u>43,887</u>              | <u>464</u>                    | <u>70,870</u>              |
| <b>Total Authority Revenue</b> | <b><u>\$ 2,813,109</u></b> | <b><u>\$ 2,909,711</u></b> | <b><u>\$ (52,251)</u></b>     | <b><u>\$ 3,050,475</u></b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
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In addition to the above total Authority revenue, we collected property taxes and insurance from some tenants as noted in Table 6.

**Table 6**

**Property tax escrow**

|                | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      |
|----------------|------------------|------------------|------------------|
| Property Taxes | \$ <u>37,657</u> | \$ <u>61,448</u> | \$ <u>65,713</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 \$37,657 for 2022 property taxes. In 2022, the Authority paid to the Pueblo County Treasurer \$38,488 for 2021 taxes. Any overages 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 2022 total operating expenses of the Authority was \$2,160,452 which is \$376,878 (21.1%) higher than 2021. The most notable increases are related to salaries.

**Table 7**

| <b>Operating Expenses</b>           | <u>2022</u>         | <u>2021</u>         | <u>2022<br/>Change</u> | <u>2020</u>         |
|-------------------------------------|---------------------|---------------------|------------------------|---------------------|
| Salaries                            | \$ 667,452          | \$ 562,725          | \$ 104,727             | \$ 495,344          |
| Payroll taxes and employee benefits | 182,652             | 158,128             | 24,524                 | 146,839             |
| Travel                              | 8,872               | 4,999               | 3,873                  | 5,398               |
| Equipment                           | 39,576              | 16,203              | 23,373                 | 11,186              |
| Operating supplies and expenses     | 34,739              | 27,919              | 6,820                  | 22,018              |
| Contract                            | 301,869             | 259,482             | 42,387                 | 192,654             |
| Insurance                           | 93,340              | 38,168              | 55,172                 | 30,467              |
| Utilities/office rent               | 261,382             | 229,068             | 32,314                 | 253,291             |
| Repairs                             | 380,303             | 345,851             | 34,452                 | 483,555             |
| Marketing/organization expenses     | 28,676              | 16,906              | 11,770                 | 27,460              |
| Miscellaneous                       | -                   | -                   | -                      | 260                 |
| Bad debt expense                    | 23,000              | -                   | 23,000                 | 117,000             |
| Depreciation                        | <u>138,591</u>      | <u>124,125</u>      | <u>14,466</u>          | <u>113,997</u>      |
| <b>Total Operating Expenses</b>     | <u>\$ 2,160,452</u> | <u>\$ 1,783,574</u> | <u>\$ 376,878</u>      | <u>\$ 1,899,469</u> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
DBA PUEBLOPLEX  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020**

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**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 \$7,886,714 an increase of 9.5% from 2021. The primary reason for this increase is rental income remains strong and additional land, building space and igloos have been leased.

**SIGNIFICANT CHANGES**

Management does not believe any transaction was significant.

The Authority's 2022 Budget was initially adopted December 9, 2021. There was a budget amendment for 2022 which was adopted December 15, 2022.

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 \$93,979 in 2012, \$205,662 in 2013 and \$81,715 in 2014 (total \$381,356). There were no sales of personal property in 2022 or 2021. The process may continue into 2023 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, 2022 AND 2021**

|                                     | <u>2022</u>         | <u>2021</u>         |
|-------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                       |                     |                     |
| <b>CURRENT ASSETS</b>               |                     |                     |
| Cash and cash equivalents           | \$ 396,330          | \$ 903,081          |
| Certificates of deposit             | 3,659,868           | 3,146,307           |
| Receivables -                       |                     |                     |
| Accounts and note, net of allowance | 575,313             | 955,199             |
| Intergovernmental                   | 225,347             | 86,894              |
| Interest                            | 17,158              | 6,513               |
| Prepaid expenses                    | 256,025             | 41,203              |
| <b>TOTAL CURRENT ASSETS</b>         | <u>5,130,041</u>    | <u>5,139,197</u>    |
| <b>NONCURRENT ASSETS</b>            |                     |                     |
| Certificates of deposit             | 1,615,885           | 2,123,753           |
| AGRA stock                          | 96,800              | 96,800              |
| <b>TOTAL NONCURRENT ASSETS</b>      | <u>1,712,685</u>    | <u>2,220,553</u>    |
| <b>CAPITAL ASSETS</b>               |                     |                     |
| Machinery and equipment             | 336,963             | 326,727             |
| Leasehold improvements              | 4,165,916           | 1,189,875           |
| Less accumulated depreciation       | (655,099)           | (516,509)           |
| <b>TOTAL CAPITAL ASSETS</b>         | <u>3,847,780</u>    | <u>1,000,093</u>    |
| <b>TOTAL ASSETS</b>                 | <u>10,690,506</u>   | <u>8,359,843</u>    |
| <b>LIABILITIES AND NET POSITION</b> |                     |                     |
| <b>CURRENT LIABILITIES</b>          |                     |                     |
| Accounts payable                    | 195,375             | 151,519             |
| Line of credit payable              | 1,943,662           | -                   |
| Accrued compensated absences        | 60,652              | 55,985              |
| Unearned revenue                    | 604,103             | 948,078             |
| <b>TOTAL CURRENT LIABILITIES</b>    | <u>2,803,792</u>    | <u>1,155,582</u>    |
| <b>NET POSITION</b>                 |                     |                     |
| Net investment in capital assets    | 1,857,643           | 1,000,093           |
| Unrestricted                        | 6,029,071           | 6,204,168           |
| <b>TOTAL NET POSITION</b>           | <u>\$ 7,886,714</u> | <u>\$ 7,204,261</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, 2022 AND 2021**

|                                   | <u>2022</u>         | <u>2021</u>         |
|-----------------------------------|---------------------|---------------------|
| OPERATING REVENUE                 |                     |                     |
| Sublease rentals                  | \$ 1,690,112        | \$ 1,751,587        |
| Intergovernmental                 | 864,519             | 740,855             |
| Equipment rental                  | 662                 | 740                 |
| Miscellaneous                     | 257,816             | 372,642             |
| TOTAL OPERATING REVENUE           | <u>2,813,109</u>    | <u>2,865,824</u>    |
| OPERATING EXPENSES                |                     |                     |
| Personnel                         | 667,452             | 562,725             |
| Payroll taxes and fringe benefits | 182,652             | 158,128             |
| Travel                            | 8,872               | 4,999               |
| Equipment                         | 39,576              | 16,203              |
| Operating supplies and expenses   | 34,739              | 27,919              |
| Contract                          | 301,869             | 259,482             |
| Insurance                         | 93,340              | 38,168              |
| Utilities                         | 254,382             | 226,068             |
| Office rent                       | 7,000               | 3,000               |
| Repairs                           | 380,303             | 345,851             |
| Marketing expense                 | 28,676              | 16,906              |
| Bad debt expense                  | 23,000              | -                   |
| Depreciation                      | 138,591             | 124,125             |
| TOTAL OPERATING EXPENSES          | <u>2,160,452</u>    | <u>1,783,574</u>    |
| OPERATING INCOME                  | <u>652,657</u>      | <u>1,082,250</u>    |
| OTHER REVENUE (EXPENSE)           |                     |                     |
| Interest earned                   | 44,351              | 43,887              |
| Interest expense                  | (14,555)            | -                   |
| TOTAL OTHER REVENUE (EXPENSE)     | <u>29,796</u>       | <u>43,887</u>       |
| CHANGE IN NET POSITION            | <u>682,453</u>      | <u>1,126,137</u>    |
| NET POSITION, JANUARY 1           | <u>7,204,261</u>    | <u>6,078,124</u>    |
| NET POSITION, DECEMBER 31         | <u>\$ 7,886,714</u> | <u>\$ 7,204,261</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, 2022 AND 2021**

|  | <u>2022</u>        | <u>2021</u>         |
|--|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                    |                     |
| Payments from customers  | \$ 2,687,567       | \$ 2,546,349        |
| Payments to employees  | (845,437)          | (719,239)           |
| Payments to suppliers  | <u>(1,366,199)</u> | <u>(904,691)</u>    |
| <b>NET CASH FLOWS PROVIDED (USED) BY</b>                           |                    |                     |
| <b>OPERATING ACTIVITIES</b>  | <u>475,931</u>     | <u>922,419</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>               |                    |                     |
| <b>ACTIVITIES</b>  |                    |                     |
| Proceeds from advances on line of credit                           | 1,943,662          | -                   |
| Interest payments on debt  | (14,555)           | -                   |
| Acquisition of capital assets                                      | <u>(2,939,801)</u> | <u>(224,386)</u>    |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND</b>                     |                    |                     |
| <b>RELATED FINANCING ACTIVITIES</b>                                | <u>(1,010,694)</u> | <u>(224,386)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                    |                     |
| (Purchase) maturity of investments                                 | (5,693)            | (866,404)           |
| Interest received  | <u>33,705</u>      | <u>44,383</u>       |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>            | <u>28,012</u>      | <u>(822,021)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>                             | <u>(506,751)</u>   | <u>(123,988)</u>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>              | <u>903,081</u>     | <u>1,027,069</u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                    | <u>\$ 396,330</u>  | <u>\$ 903,081</u>   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>              |                    |                     |
| <b>PROVIDED BY OPERATING ACTIVITIES</b>                            |                    |                     |
| Operating income   | <u>\$ 652,657</u>  | <u>\$ 1,082,250</u> |
| Adjustments to reconcile net operating income to net cash provided |                    |                     |
| by operating activities -  |                    |                     |
| Bad debt expense   | 23,000             | -                   |
| Depreciation   | 138,591            | 124,125             |
| Changes in assets and liabilities -                                |                    |                     |
| (Increase) decrease in accounts and notes receivable               | 356,886            | (318,612)           |
| (Increase) decrease in intergovernmental receivable                | (138,453)          | (37,237)            |
| (Increase) decrease in prepaid expenses                            | (214,822)          | (38,897)            |
| Increase (decrease) in accounts payable                            | (2,620)            | 75,600              |
| Increase (decrease) in accrued expenses                            | 4,667              | (1,184)             |
| Increase (decrease) in unearned revenue                            | <u>(343,975)</u>   | <u>36,374</u>       |
| Total Adjustments  | <u>(176,726)</u>   | <u>(159,831)</u>    |
| <b>NET CASH FLOWS PROVIDED (USED) BY</b>                           |                    |                     |
| <b>OPERATING ACTIVITIES</b>  | <u>\$ 475,931</u>  | <u>\$ 922,419</u>   |
| <b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND</b>                  |                    |                     |
| <b>FINANCING ACTIVITIES</b>  |                    |                     |
| Capital assets purchased by issuance of accounts payable           | <u>\$ 46,476</u>   | <u>\$ -</u>         |

The accompanying notes to the 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, 2022 AND 2021**

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**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, 2022 AND 2021**

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**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, 2022 AND 2021**

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**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. Allowance for the uncollectible accounts netted with accounts and note receivables were \$184,665 and \$161,665 for the years ended December 31, 2022 and 2021, respectively.

**Prepaid Expenses**

Prepaid expenses include amounts paid for items that benefit the next year, insurance and water replacement. Prepaid expenses at December 31, 2022 and 2021 were \$256,025 and \$41,203, respectively.

**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 and equipment | 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.

**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, 2022 AND 2021**

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**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.

**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.

**NOTE 2- CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

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, 2022 AND 2021**

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**NOTE 2- CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT (Continued)**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit risk policy for credit risk. At December 31, 2022 and 2021, the Authority's cash deposits of \$6,039,411 and \$5,990,199, respectively, 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>2022</u>         | <u>2021</u>         |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 396,330          | \$ 903,081          |
| Certificates of deposits  | <u>5,275,753</u>    | <u>5,270,060</u>    |
| Total Deposits            | <u>\$ 5,672,083</u> | <u>\$ 6,173,141</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 IN 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, 2022 and 2021 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 – NOTES RECEIVABLE**

On September 16, 2021, the Authority settled a past due accounts receivable balance of \$181,920 by obtaining a fixed convertible promissory note in the amount of \$115,000. The note carries an interest rate of 6% and was due in full on September 16, 2022. The Authority has the right, at any time on or before the maturity date but not thereafter, to convert in whole or in part the outstanding and unpaid principal amount of the note into shares of common stock at the qualified financing conversion price. The conversion price shall be equal to \$0.60 per share which was the closing price of the stock on the last trading day before the note was issued.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
DBA PUEBLOPLEX  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 4 – CAPITAL ASSETS**

Capital assets for 2022 consist of the following:

|                          | Balance<br>January 1<br><u>2022</u> | <u>Additions</u>    | Retirements<br>and<br><u>Deletions</u> | Balance<br>December 31<br><u>2022</u> |
|--------------------------|-------------------------------------|---------------------|--|---------------------------------------|
| Machinery and equipment  | \$ 326,727                          | \$ 10,236           | \$ -                                   | \$ 336,963                            |
| Leasehold improvements   | 1,189,875                           | 2,976,041           | -                                      | 4,165,916                             |
| Accumulated depreciation | <u>(516,509)</u>                    | <u>(138,591)</u>    | <u>-</u>                               | <u>(655,099)</u>                      |
|                          | <u>\$ 1,000,093</u>                 | <u>\$ 2,986,277</u> | <u>\$ -</u>                            | <u>\$ 3,847,780</u>                   |

Capital assets for 2021 consist of the following:

|                          | Balance<br>January 1<br><u>2021</u> | <u>Additions</u>  | Retirements<br>and<br><u>Deletions</u> | Balance<br>December 31<br><u>2021</u> |
|--------------------------|-------------------------------------|-------------------|--|---------------------------------------|
| Machinery and equipment  | \$ 326,727                          | \$ -              | \$ -                                   | \$ 326,727                            |
| Leasehold improvements   | 965,489                             | 224,386           | -                                      | 1,189,875                             |
| Accumulated depreciation | <u>(392,384)</u>                    | <u>(124,125)</u>  | <u>-</u>                               | <u>(516,509)</u>                      |
|                          | <u>\$ 899,832</u>                   | <u>\$ 100,261</u> | <u>\$ -</u>                            | <u>\$ 1,000,093</u>                   |

**NOTE 5 – AGRA STOCK**

The Authority purchased 11 shares of stock in Arkansas Groundwater and Reservoir Association (AGRA) (formerly Arkansas Groundwater Users Association-AGUA) in December 2016 for the purpose of securing priority water access for their wells. The stock is recorded at cost, \$96,800.

Legal Requirement for Water Augmentation – The concept of augmentation was developed with the passage of a Colorado law in 1969 called the “Adjudication and Administration Act”. This law integrated under Colorado Doctrine of Appropriation surface water and tributary ground water so that both sources of water would be administered according to long established system of priority, which is “first in time is first in right”. In the Arkansas River drainage, an over appropriated system, judicially decreed water rights are seldom allowed to divert if the date of first use, as decreed, is later than 1890. The system was designed to give surety to the owner of a decreed water right that water would be available when needed for beneficial use. However, with the passage of “1969 Act”, a system was designed to allow for use of water “out of priority” if the user agrees to replace all water consumed. This replacement is called an Augmentation Plan. An Augmentation Plan requires the amount of water consumed must be placed into the stream impacted by water use, by amount and time. This requires an elaborately engineered system that measures and records use, and replacement water from a senior source. Pueblo Chemical Depot has water wells, of which PuebloPlex will receive when facilities are transferred, which is the source of the water it uses to replace water used from the Pueblo Board of Waterworks. To assist with PuebloPlex’s elaborately engineered system, they purchased 1 share of stock in Arkansas Groundwater and Reservoir Association for each of the 11 wells located on the facilities. This status gives the shareholder priority over participants for an allocation in a drier year. The share is tied to the well and cannot be transferred or sold separately.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY**  
**DBA PUEBLOPLEX**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable for December 31, 2022 and 2021 are comprised of amounts due to the Pueblo County Treasurer for property taxes of \$34,826 and \$38,488, respectively, and operating expenses of \$160,549 and \$113,031, respectively.

**NOTE 7 – LINE OF CREDIT**

The Company opened a line of credit with Legacy Bank in October 2021. The available credit line is \$2,500,000. The line carries a variable interest rate of 2.0% over the blended rate of the two certificates of deposit that are pledged as collateral. The interest rate will be adjusted annually. The initial rate for the first year is 2.62%. The Company had no line of credit balance as of December 31, 2021. The line of credit balance as of December 31, 2022 was \$1,943,662. Interest paid on the line of credit for the year ended December 31, 2022 was \$14,555.

**NOTE 8 – 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 9 – DEFINED CONTRIBUTION PENSION PLAN**

The Authority contributes to an Internal Revenue Code (IRC) 408(k) plan (the Plan) for all of its 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, 2022 and 2021, employer contributions totaled \$61,789 and \$59,431, respectively and the Authority recognized pension expense of \$61,789 and \$59,431, 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, 2022 AND 2021**

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**NOTE 10 – 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.

**NOTE 11 – RISK AND UNCERTAINTIES**

**COVID-19 Pandemic** – The United States and global markets have 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.

Due to the pandemic the Authority had to close its facilities for a 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 extent to which COVID-19 may impact our financial condition is uncertain 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, 2022**

|  | <u>Budgeted Amounts</u> |                  | Actual<br>Budget<br>Basis | Variance with<br>Final Budget |
|--|-------------------------|------------------|---------------------------|-------------------------------|
|  | <u>Original</u>         | <u>Final</u>     |                           | Positive<br>(Negative)        |
| <b>REVENUES</b>  |                         |                  |                           |                               |
| General revenues -   |                         |                  |                           |                               |
| Sublease revenues  | \$ 2,073,348            | \$ 2,073,348     | \$ 1,690,112              | \$ (383,236)                  |
| Interest   | 40,000                  | 40,000           | 44,351                    | 4,351                         |
| PCD water revenues   | 243,177                 | 243,177          | 243,177                   | -                             |
| Late fees & EDC equipment rent                               | 3,500                   | 3,500            | 2,064                     | (1,436)                       |
| Miscellaneous  | 3,240                   | 3,240            | 588                       | (2,652)                       |
| Cleaning and repairs & miscellaneous                         | 18,750                  | 18,750           | 10,827                    | (7,923)                       |
| Tenant reimbursements  | 25,000                  | 25,000           | 1,822                     | (23,178)                      |
| Intergovernmental grant revenue                              | 1,260,000               | 1,260,000        | 864,519                   | (395,481)                     |
| Debt proceeds  | 1,000,000               | 2,000,000        | 1,943,662                 | (56,338)                      |
| TOTAL REVENUES   | <u>4,667,015</u>        | <u>5,667,015</u> | <u>4,801,122</u>          | <u>(865,893)</u>              |
| <b>EXPENDITURES</b>  |                         |                  |                           |                               |
| Fund and project activities -                                |                         |                  |                           |                               |
| Personnel  | 722,209                 | 722,209          | 667,452                   | 54,757                        |
| Fringe benefits  | 241,469                 | 241,469          | 182,652                   | 58,817                        |
| Travel   | 45,000                  | 45,000           | 8,872                     | 36,128                        |
| Equipment  | 10,500                  | 10,500           | 39,576                    | (29,076)                      |
| Operating supplies   | 40,800                  | 40,800           | 34,739                    | 6,061                         |
| Marketing/development expense                                | 38,500                  | 38,500           | 28,676                    | 9,824                         |
| Contract   | 640,000                 | 640,000          | 301,869                   | 338,131                       |
| Insurance  | 144,700                 | 144,700          | 93,340                    | 51,360                        |
| Utilities  | 2,500                   | 2,500            | 254,382                   | (251,882)                     |
| Office rent  | 3,000                   | 3,000            | 7,000                     | (4,000)                       |
| Property maintenance & repairs                               | 2,500,677               | 3,500,677        | 3,366,580                 | 134,097                       |
| Interest expense   | -                       | -                | 14,555                    | (14,555)                      |
| Contingency  | 250,000                 | 250,000          | -                         | 250,000                       |
| TOTAL EXPENDITURES   | <u>4,639,355</u>        | <u>5,639,355</u> | <u>4,999,693</u>          | <u>639,662</u>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |                         |                  |                           |                               |
|  | <u>\$ 27,660</u>        | <u>\$ 27,660</u> | (198,571)                 |                               |
| <b>GAAP BASIS ADJUSTMENT</b>                                 |                         |                  |                           |                               |
| Bad debt expense   |                         |                  | (23,000)                  |                               |
| Depreciation   |                         |                  | (138,591)                 |                               |
| Proceeds from debt   |                         |                  | (1,943,662)               |                               |
| Capitalized leasehold improvements and equipment             |                         |                  | <u>2,986,277</u>          |                               |
| <b>CHANGE IN NET POSITION</b>                                |                         |                  | <u>\$ 682,453</u>         |                               |

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, 2022

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| FEDERAL GRANTOR/PASS THROUGH<br>GRANTOR/PROGRAM OR CLUSTER TITLE  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity's<br>Identifying<br>Number | Pass-<br>through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|---|--------------------------------------|----------------------------------|
| U.S. DEPARTMENT OF DEFENSE  |                           |   |                                      |                                  |
| OFFICE OF ECONOMIC ADJUSTMENT   |                           |   |                                      |                                  |
| Direct assistance -   |                           |   |                                      |                                  |
| Community Economic Adjustment Assistance for<br>Establishment, Expansion, Realignment, or<br>Closure of a Military Installation | 12.607                    | -   | -                                    | \$ 818,165                       |
| Community Economic Adjustment Assistance for<br>Advance Planning and Economic Diversification                                   | 12.614                    | -   | -                                    | <u>46,354</u>                    |
| <br>TOTAL U.S. DEPARTMENT OF DEFENSE  |                           |   |                                      | <br><u><u>\$ 864,519</u></u>     |

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
DBA PUEBLOPLEX  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2022**

**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 PuebloPlex under programs of the federal government for the year ended December 31, 2022. 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 not 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.

CERTIFIED PUBLIC ACCOUNTANTS

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September 14, 2023

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, 2022 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 14, 2023. We have issued a Qualified Opinion on those financial statements for the following reason. Management has not adopted GASB No. 87, Leases. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses has not been determined.

### **Report on 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) as a basis for designing 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.

### Report on 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.

*Garrin Ross & DeNardo, Inc.*

# Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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September 14, 2023

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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pueblo Depot Activity Development Authority, DBA PuebloPlex's major federal programs for the year ended December 31, 2022. 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.

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 each of its major federal programs for the year ended December 31, 2022.

### **Basis for Opinion on Each Major Federal Program**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pueblo Depot Activity Development Authority, DBA PuebloPlex and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contract or grant agreements applicable to Pueblo Depot Activity Development Authority, DBA PuebloPlex's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pueblo Depot Activity Development Authority, DBA PuebloPlex's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pueblo Depot Activity Development Authority, DBA PuebloPlex's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Arren Ross & DeNardo, LLC

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY  
DBA PUEBLOPLEX  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2022**

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**SECTION I – SUMMARY OF AUDIT RESULTS**

Type of auditor’s report issued: Qualified

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: \_\_\_\_\_ Yes \_\_\_ X \_\_\_ No

**SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

None