

PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY

DBA PUEBLOPLEX

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

DECEMBER 31, 2023

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Independent Auditor's Report

September 25, 2024

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

Report on the Audit of the Financial Statements

Opinions

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 year ended December 31, 2023, 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, 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, 2023, 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 Opinions

We conducted our audits 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. 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 audit opinions.

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 from 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 and *Government 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 and *Government 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 4 through 10 and budgetary comparison information on page 24 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.

Board of Directors
Pueblo Depot Activity Development Authority DBA PuebloPlex

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements as a whole.

Arrun, Ron & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT’S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023. 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 2023 to 2022 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 YEAR ENDED DECEMBER 31, 2023**

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 14 through 23 of this report.

A condensed summary of the Authority's Statement of Net Position for 2023 and 2022 is presented below:

Table 1

Statement of Net Position	2023	2022
Total Assets	\$13,348,867	\$10,690,506
Total Liabilities	(350,475)	(2,803,792)
Total Deferred Inflows of Resources	<u>(4,042,714)</u>	<u>-</u>
Total Net Position	\$ <u>8,955,678</u>	\$ <u>7,886,714</u>

The Authority's total net position for 2023 increased \$1,068,964 being 13.6% above 2022.

ASSETS AND LIABILITIES

The 2023 total assets of the Authority are \$13,348,867. The majority (79.6%) of the total assets are held in the form of cash, cash equivalents, investments (certificates of deposit), accounts receivable, and lease receivable. Other assets include prepaid expenses such as insurance premiums and prepaid water fee, 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 YEAR ENDED DECEMBER 31, 2023**

Table 2

Assets	<u>2023</u>	<u>2022</u>
Current Assets –		
Cash and cash equivalents	\$ 3,162,826	\$ 396,330
Certificates of deposit	1,652,550	3,659,868
Interest receivable	40,909	17,158
Accounts receivable	394,855	975,313
Intergovernmental receivable	178,465	225,347
Lease receivable	954,564	-
Prepaid expenses	<u>8,302</u>	<u>256,025</u>
Total Current Assets	<u>\$ 6,392,471</u>	<u>7,101,688</u>
Noncurrent Assets –		
Accounts receivable	1,200,000	1,571,647
Lease receivable	3,088,150	-
Certificates of deposit	-	1,615,885
AGRA stock	96,800	96,800
Capital assets, net of depreciation	<u>2,571,446</u>	<u>1,876,133</u>
Total Noncurrent Assets	<u>6,956,396</u>	<u>3,588,818</u>
Total Assets	<u>\$ 13,348,867</u>	<u>\$ 10,690,506</u>

Comparing 2023 to 2022 shows the total assets of the Authority increased by \$2,658,361, being 24.9%. While cash and cash equivalents and lease receivable increased there were decreases in certificates of deposit, accounts receivable, and prepaid expenses. Nearly all subleases are now on a calendar year basis and invoices are generally sent out in December for the upcoming calendar year. The majority of the sublease revenue for the upcoming calendar year is received in December. However, 2024 subleases were not sent out until after 2023 year-end.

Table 3

Liabilities and Deferred Inflows of Resources	<u>2023</u>	<u>2022</u>
Current Liabilities –		
Line of Credit Payable	\$ -	\$ 1,943,662
Accounts payable	173,634	195,375
Accrued vacation	137,050	60,652
Unearned revenue	<u>39,791</u>	<u>604,103</u>
Total Current Liabilities	<u>350,475</u>	<u>2,803,792</u>
Deferred Inflows of Resources - Leases	<u>4,042,714</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,393,189</u>	<u>\$ 2,803,792</u>

**MANAGEMENT’S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEAR ENDED DECEMBER 31, 2023**

The 2023 total current liabilities of the Authority are \$350,475. Comparing 2023 to 2022 shows the total current liabilities of the Authority decreased by \$2,453,317, being 87.5%. 2023 unearned revenue was \$39,791, a decrease of \$564,312 (93.4%), which is again related to the sublease policy and the timing of the invoicing and receiving sublease payments. None of the current liabilities in 2023 and 2022 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.

The 2023 total deferred inflows of resources of the authority are \$4,042,714. Comparing 2023 to 2022 shows the total deferred inflows of resources increased \$4,042,714. The increase is related to the recording of leases under GASB 87 by the authority in 2023.

Table 4

Net Position	<u>2023</u>	<u>2022</u>
Net Position –		
Invested in capital assets (e.g., equipment)		
– net of related debt	\$ 2,570,558	\$ 1,857,643
Unrestricted	<u>6,385,120</u>	<u>6,029,071</u>
Total Net Position	<u>\$ 8,955,678</u>	<u>\$ 7,886,714</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 a \$1,068,964 (13.6%) increase in total net position from 2022 to 2023.

AUTHORITY REVENUE

The 2023 total revenue of the Authority is \$4,216,681. This amount consists of operating sublease revenues, federal grant income, interest income, and equipment rental. The Authority had grant revenue of \$1,453,697. The Authority’s total revenue for 2023 increased \$1,359,221, being an increase of 47.6% compared to 2022. Sublease revenues increased by \$468,578, intergovernmental grant revenue increased by \$589,178 and interest income increased by \$316,335.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEAR ENDED DECEMBER 31, 2023**

Table 5

Authority Revenue	<u>2023</u>	<u>2022</u>	<u>2023 Change</u>
Operating Revenues –			
Sublease revenue	\$ 2,107,365	\$ 1,690,112	\$ 417,253
Equipment rental	735	662	73
Intergovernmental	1,453,697	864,519	589,178
Miscellaneous	293,462	257,816	35,646
Other Revenues –			
Interest income	<u>361,422</u>	<u>44,351</u>	<u>317,091</u>
Total Authority Revenue	<u>\$ 4,216,681</u>	<u>\$ 2,857,460</u>	<u>\$ 1,359,221</u>

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>2023</u>	<u>2022</u>
Property Taxes	<u>\$ 39,841</u>	<u>\$ 37,657</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 \$39,841 for 2023 property taxes. In 2023, the Authority paid to the Pueblo County Treasurer \$34,827 for 2022 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 2023 total operating expenses of the Authority was \$3,088,199 which is \$927,747 (42.9%) higher than 2022. The most notable increases are related to salaries and related payroll taxes and benefits and contract expenses.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEAR ENDED DECEMBER 31, 2023**

Table 7

Operating Expenses	<u>2023</u>	<u>2022</u>	<u>2023 Change</u>
Salaries	\$ 940,882	\$ 667,452	\$ 273,430
Payroll taxes and employee benefits	271,405	182,652	88,753
Travel	23,293	8,872	14,421
Equipment	37,913	39,576	(1,663)
Operating supplies and expenses	63,858	34,739	29,119
Contract	793,651	301,869	491,782
Insurance	162,515	93,340	69,175
Utilities/office rent	271,017	261,382	9,635
Repairs	207,375	380,303	(172,928)
Marketing/organization expenses	37,639	28,676	8,963
Bad debt expense	38,713	23,000	15,713
Depreciation	<u>239,938</u>	<u>138,591</u>	<u>101,347</u>
Total Operating Expenses	<u>\$ 3,088,199</u>	<u>\$ 2,160,452</u>	<u>\$ 927,747</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 \$8,955,678 an increase of 13.6% from 2022. 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.

No infrastructure asset is owned by the Authority; therefore, there is no changes 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 2023 or 2022. The process may continue into 2024 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
FOR THE YEAR ENDED DECEMBER 31, 2023**

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
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 3,162,826
Certificate of deposit	1,652,550
Receivables -	
Accounts, net of allowance	394,855
Intergovernmental	178,465
Interest	40,909
Lease receivable	954,564
Prepaid expenses	8,302
TOTAL CURRENT ASSETS	<u>6,392,471</u>
NONCURRENT ASSETS	
Accounts receivable	1,200,000
Lease receivable	3,088,150
AGRA stock	96,800
TOTAL NONCURRENT ASSETS	<u>4,384,950</u>
CAPITAL ASSETS	
Machinery and equipment	336,963
Leasehold improvements	3,129,521
Less accumulated depreciation	(895,038)
TOTAL CAPITAL ASSETS	<u>2,571,446</u>
TOTAL ASSETS	<u>13,348,867</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	173,634
Accrued compensated absences	137,050
Unearned revenue	39,791
TOTAL CURRENT LIABILITIES	<u>350,475</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	<u>4,042,714</u>
NET POSITION	
Net investment in capital assets	2,570,558
Unrestricted	<u>6,385,120</u>
TOTAL NET POSITION	<u>\$ 8,955,678</u>

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

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

OPERATING REVENUE	
Sublease rentals	\$ 2,107,365
Intergovernmental	1,453,697
Equipment rental	735
Miscellaneous	293,462
TOTAL OPERATING REVENUE	<u>3,855,259</u>
OPERATING EXPENSES	
Personnel	940,882
Payroll taxes and fringe benefits	271,405
Travel	23,293
Equipment	37,913
Operating supplies and expenses	63,858
Contract	793,651
Insurance	162,515
Utilities	258,937
Office rent	12,080
Repairs	207,375
Marketing expense	37,639
Bad debt expense	38,713
Depreciation	239,938
TOTAL OPERATING EXPENSES	<u>3,088,199</u>
OPERATING INCOME	<u>767,060</u>
OTHER REVENUE (EXPENSE)	
Interest earned	361,422
Interest expense	(59,518)
TOTAL OTHER REVENUE (EXPENSE)	<u>301,904</u>
CHANGE IN NET POSITION	<u>1,068,964</u>
NET POSITION, JANUARY 1	<u>7,886,714</u>
NET POSITION, DECEMBER 31	<u>\$ 8,955,678</u>

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

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from customers	\$ 4,251,222
Payments to employees	(1,135,889)
Payments to suppliers	<u>(1,325,691)</u>
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,789,642</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from advances on line of credit	56,287
Repayment on line of credit	(1,999,949)
Interest payments on debt	(59,518)
Acquisition of capital assets	<u>(980,840)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,984,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchase) maturity of investments	3,623,203
Interest earnings received	<u>337,671</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,960,874</u>
NET INCREASE (DECREASE) IN CASH	2,766,496
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>396,330</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,162,826</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	<u>\$ 767,060</u>
Adjustments to reconcile net operating income to net cash provided by operating activities -	
Bad debt expense	38,713
Depreciation	239,938
Changes in assets and liabilities -	
(Increase) decrease in accounts and notes receivable	913,393
(Increase) decrease in intergovernmental receivable	46,882
(Increase) decrease in prepaid expenses	247,723
(Increase) decrease in lease receivable	(4,042,714)
Increase (decrease) in accounts payable	23,847
Increase (decrease) in accrued expenses	76,398
Increase (decrease) in deferred inflows of resources	4,042,714
Increase (decrease) in unearned revenue	<u>(564,312)</u>
Total Adjustments	<u>1,022,582</u>
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,789,642</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Capital assets purchased by issuance of accounts payable	<u>\$ 888</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, 2023**

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, 2023**

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, 2023**

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.

Lease Receivable

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized over the term of the lease.

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
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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 system 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.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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. The president may be compensated for 50% of his accumulated sick leave upon termination or retirement.

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

During the current year management identified an error in the classification of certain assets previously recorded as fixed assets. Specifically, there was \$1,971,647 recorded as leasehold improvements that should have been recorded as accounts receivable at the year ended December 31, 2022. The leasehold improvements were performed by the Authority on behalf of a sublessee. Therefore, these leasehold improvements should not have been included as fixed assets by the Authority. The impact of this reclassification on the financial statements includes a decrease in fixed assets and a corresponding increase in other receivables. The change had no effect on net income or net assets.

New Accounting Pronouncements

For 2023, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Authority's 2023 financial statements.

The implementation of GASB Statement No. 87 had no effect on net position as reported December 31, 2022.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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, 2023, the Authority’s cash deposits with a bank balance of \$4,817,799 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>2023</u>
Cash and cash equivalents	\$ 3,162,826
Certificate of deposit	<u>1,652,550</u>
Total Deposits	<u>\$ 4,815,376</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, money market and certificate of deposit with InBank – 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, 2023.

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.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT (Continued)

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 AND OTHER 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. The Authority has exercised this conversion as of December 31, 2023. The Authority has included 100% of the note and interest in the allowance for uncollectible.

In 2023, the Authority signed a sublease to lease building and land to a sublessor. A condition of the sublease requires the Authority to provide improvements of \$2,000,000 to the property which will be repaid in full by the sublessee. The sublessee will repay for the improvements in monthly payments of \$33,333 per month (\$400,000 annually) starting on 1/1/2023. The receivable at December 31, 2023 was \$1,600,000.

NOTE 4 – CAPITAL ASSETS

Capital assets for 2023 consist of the following:

	Balance January 1 <u>2023</u>	<u>Additions</u>	Retirements and <u>Deletions</u>	Balance December 31 <u>2023</u>
Machinery and equipment	\$ 336,963	\$ -	\$ -	\$ 336,963
Leasehold improvements	2,194,269	935,252	-	3,129,521
Accumulated depreciation	<u>(655,099)</u>	<u>(239,939)</u>	<u>-</u>	<u>(895,038)</u>
	<u>\$ 1,876,133</u>	<u>\$ 695,313</u>	<u>\$ -</u>	<u>\$ 2,571,446</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”.

PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 – AGRA STOCK (Continued)

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.

NOTE 6– LEASES RECEIVABLE

The Authority has entered into various long-term agreements to sublease buildings, vacant land, igloos and equipment at the Pueblo Chemical Depot facility. The Authority has analyzed these lease arrangements to determine the applicability of GASB 87. The Authority has a significant number of igloo and other leases that fall outside the scope of GASB 87 due to having opt-out clauses for both the sublessor and sublessee. Therefore, these leases are not included in leases receivable at December 31, 2023. For 2023, the Authority reported sublease revenue of \$2,107,365 and interest revenue of \$199,140 related to lease payments received. The lease receivable and related deferred inflow of resources for the year ended December 31, 2023 was \$4,042,714 and \$4,042,714 respectively. These leases are summarized as follows:

Transportation Technology Center, Inc., DBA MxV Rail – The Authority has multiple leases with Transportation Technology Center, Inc. for buildings and vacant land located at the Pueblo Chemical Depot. The annual lease payments for these leases range from \$5,000 to \$226,550. All leases began on January 1, 2023 and expired on December 31, 2023. Each lease contains three additional one-year options and one 11-month option that will run the lease through November 30, 2027.

Hospital Cooperative Laundry, Inc. – The Authority has leases with Hospital Cooperative Laundry, Inc. for a warehouse and equipment located at the Pueblo Chemical Depot. The annual lease payment is \$5,000 and \$500 for the warehouse and equipment, respectively. Both leases began on January 1, 2023 and expired on December 31, 2023. Each lease contains three additional one-year options and one 11-month option that will run the lease through November 30, 2027.

Los Suenos, LLC – The Authority has a lease with Los Suenos, LLC for a warehouse located at the Pueblo Chemical Depot. The annual lease payment for the lease is \$4,161. The lease began on January 1, 2019 and expired on December 31, 2023.

Bechtel National, Inc. – The Authority has multiple leases with Bechtel National, Inc. for buildings and vacant land located at the Pueblo Chemical Depot. The annual lease payments for these leases range

PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6– LEASES RECEIVABLE (Continued)

from \$3,078 to \$100,000. All leases began on January 1, 2023 and expired on December 31, 2023. Each lease contains three additional one-year options and one 11-month option that will run the lease through November 30, 2027.

Community Energy Solar, LLC – The Authority has a lease with Community Energy Solar, LLC for a warehouse located at the Pueblo Chemical Depot. The original lease had an annual lease payment of \$39,996 and started November 1, 2021 and ended July 31, 2023. Community Energy Solar, LLC signed a new lease in 2023 with an annual lease payment of \$74,004 that began on August 1, 2023 and expired on December 31, 2023. The lease contains three additional one-year options and one 11-month option that will run the lease through November 30, 2027.

Cooper & Turner Industries, Inc. – The Authority has two leases with Cooper & Turner Industries, LLC for warehouses located at the Pueblo Chemical Depot. The annual lease payments are \$124,602 and \$90,624. The \$124,602 lease began on December 1, 2017 and expired on December 31, 2023. The \$90,624 lease began on April 1, 2018 and expired on December 31, 2023.

Global Controls, Inc. – The Authority has two leases with Global Controls, Inc. for warehouses located at the Pueblo Chemical Depot. The annual lease payments are \$6,278 and \$7,417. The \$6,278 lease began on January 1, 2017 and expired on December 31, 2023. The \$7,417 lease began on March 1, 2020 and expired on December 31, 2023.

Hartung Glass Industries, Inc. – The Authority has a lease with Hartung Glass Industries, Inc. for a warehouse located at the Pueblo Chemical Depot. The annual lease payment is \$28,491. The lease began on January 1, 2019 and expired on December 31, 2023.

Lipsey Trucking, LLC – The Authority has a lease with Lipsey Trucking, LLC for vacant land located at the Pueblo Chemical Depot. The annual lease payment is \$5,050 for 2023. The lease began on January 1, 2022 and expired on December 31, 2023.

South Plains Lamesa Railroad, Ltd. – The Authority has a lease with South Plains Lamesa Railroad, Ltd. for a building and vacant land located at the Pueblo Chemical Depot. The annual lease payments for the building and vacant land are \$80,000 and \$12,169, respectively. Both leases began on January 1, 2023 and expired on December 31, 2023. Each lease contains three additional one-year options and one 11-month option that will run the lease through November 30, 2027.

United Launch Alliance – The Authority has a lease with United Launch Alliance for a warehouse located at the Pueblo Chemical Depot. The annual lease payment is \$79,292. The lease began on January 1, 2016 and expired on December 31, 2023.

Wurth Revcar Fasteners, Inc. – The Authority has a lease with Wurth Revcar Fasteners, Inc. for a building located at the Pueblo Chemical Depot. The annual lease payment is \$15,351. The lease began on January 1, 2023 and expired on December 31, 2023. Each lease contains three additional one-year options and one 11-month option that will run the lease through November 30, 2027.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6– LEASES RECEIVABLE (Continued)

The following is a schedule of future minimum lease payments for the above operating leases as of December 31, 2023:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 954,564
2025	1,006,147
2026	1,060,195
2027	1,021,808
	<u>\$ 4,042,714</u>

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable for December 31, 2023 is comprised of amounts due to the Pueblo County Treasurer for property taxes of \$48,980, and operating expenses of \$124,654.

NOTE 8 – 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 rate for 2023 was 4.54%. The Company had no line of credit balance as of December 31, 2023. Interest paid on the line of credit for the year ended December 31, 2023 was \$59,518.

NOTE 9 – 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.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 10 – 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, 2023, employer contributions totaled \$84,056 and the Authority recognized pension expense of \$84,056.

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

NOTE 11 – 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.

ADDITIONAL INFORMATION

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, 2023**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General revenues -				
Sublease revenues	\$ 2,714,762	\$ 2,714,762	\$ 2,107,365	\$ (607,397)
Interest	45,000	45,000	361,422	316,422
PCD water revenues	252,288	252,288	252,079	(209)
Late fees & EDC equipment rent	3,500	3,500	16,352	12,852
Miscellaneous	1,240	1,240	2,002	762
Transloading income	10,000	10,000	2,150	(7,850)
Cleaning and repairs	20,000	20,000	18,301	(1,699)
Tenant reimbursements	25,000	25,000	3,313	(21,687)
Intergovernmental grant revenue	1,605,381	1,605,381	1,453,697	(151,684)
Debt proceeds	1,000,000	1,000,000	-	(1,000,000)
TOTAL REVENUES	<u>5,677,171</u>	<u>5,677,171</u>	<u>4,216,681</u>	<u>(1,460,490)</u>
EXPENDITURES				
Fund and project activities -				
Personnel	875,114	875,114	940,882	(65,768)
Fringe benefits	268,505	268,505	271,405	(2,900)
Travel	30,000	30,000	23,293	6,707
Equipment	10,500	10,500	37,913	(27,413)
Operating supplies	54,926	54,926	63,858	(8,932)
Marketing/development expense	51,700	51,700	37,639	14,061
Contract	925,000	925,000	793,651	131,349
Insurance	166,400	166,400	162,515	3,885
Utilities	2,500	2,500	258,937	(256,437)
Office rent	12,000	12,000	12,080	(80)
Property maintenance & repairs	1,535,388	1,535,388	1,142,627	392,761
Interest expense	-	-	59,518	(59,518)
Contingency	250,000	250,000	-	250,000
TOTAL EXPENDITURES	<u>4,182,033</u>	<u>4,182,033</u>	<u>3,804,318</u>	<u>377,715</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,495,138</u>	<u>\$ 1,495,138</u>	412,363	
GAAP BASIS ADJUSTMENT				
Bad debt expense			(38,713)	
Depreciation			(239,938)	
Capitalized leasehold improvements and equipment			<u>935,252</u>	
CHANGE IN NET POSITION			<u>\$ 1,068,964</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, 2023**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal Assistance Listing 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	-	-	\$ 1,053,440
Community Economic Adjustment Assistance for Advance Planning and Economic Diversificatio	12.614	-	-	<u>\$ 400,257</u>
TOTAL U.S. DEPARTMENT OF DEFENSE				<u>\$ 1,453,697</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, 2023**

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 25, 2024

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, 2023 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 25, 2024.

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.

Harvey Ross & DeNardo, LLC

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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September 25, 2024

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, 2023. 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, 2023.

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 and 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.

James Ross | DeNardo, Inc.

**PUEBLO DEPOT ACTIVITY DEVELOPMENT AUTHORITY
DBA PUEBLOPLEX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2023**

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: _____ Yes X No

SECTION II – FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None