

**FORT CHAFFEE
REDEVELOPMENT AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017**



FORT CHAFFEE REDEVELOPMENT AUTHORITY
DECEMBER 31, 2017

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Independent Auditor's Report

To the Board of Trustees
Fort Chaffee Redevelopment Authority
Fort Smith, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Chaffee Redevelopment Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Chaffee Redevelopment Authority as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018, on our consideration of Fort Chaffee Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards in considering Fort Chaffee Redevelopment Authority's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 24, 2018

BASIC FINANCIAL STATEMENTS

FORT CHAFFEE REDEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

AS OF DECEMBER 31, 2017

			(Memorandum Only)	
			2016	
	Governmental Fund	Adjustments	Statement of Net Position	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 3,751,282	\$ -	\$ 3,751,282	\$ 4,314,282
Accounts receivable	52,609	-	52,609	51,656
Prepaid expenses	34,300	-	34,300	78,600
Inventory	938	-	938	1,176
Interest receivable	11,004	-	11,004	6,666
Capital assets				
Donated assets				
Donated land	10,807,654	-	10,807,654	11,558,977
Donated buildings (net of accumulated depreciation)	920,346	(773,825) ①	146,521	197,169
Other capital assets (net of accumulated depreciation)	2,083,048	(671,581) ①	1,411,467	1,244,099
Land improvements	546,518	-	546,518	530,632
Total Assets	18,207,699	(1,445,406)	16,762,293	17,983,257
Liabilities				
Accounts payable	3,224	-	3,224	-
Payroll and payroll taxes payable	70	-	70	393
Other accrued expenses	34,064	-	34,064	20,049
Lease deposits and prepayments	41,364	-	41,364	43,950
Total Liabilities	78,722	-	78,722	64,392
Fund equity:				
Contributed capital	11,728,000	(11,728,000)	-	-
Investment in fixed assets	2,629,566	(2,629,566)	-	-
Fund balances:				
Nonspendable	35,238	(35,238)	-	-
Spendable:				
Unassigned	3,736,173	(3,736,173)	-	-
Total Fund Balances	18,128,977	(18,128,977)	-	-
Total Liabilities and Fund Balances \$	18,207,699			
Net Position:				
Net investment in capital assets		1,957,985	1,957,985	1,774,731
Unrestricted		14,725,586	14,725,586	16,144,134
Total Net Position		16,683,571	16,683,571	17,918,865
Total Liabilities and Net Position		\$ (1,445,406) \$	\$ 16,762,293 \$	\$ 17,983,257

① Amounts reported for governmental activities in the Statement of Net Position are different because capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

See accompanying notes to financial statements.

FORT CHAFFEE REDEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2017

	(Memorandum Only)			
			2016	
	Governmental Fund	Adjustments	Statement of Activities	Statement of Activities
Revenues				
Grants	\$ 35,849	\$ -	\$ 35,849	\$ 36,808
Local government contributions	177,475	-	177,475	181,026
Historic district income	20,536	-	20,536	13,850
Lease income	284,074	-	284,074	292,509
Mowing income	8,580	-	8,580	4,042
Property sales	1,447,776	(1,447,776) ①	-	-
Rail car storage	80,888	-	80,888	93,944
Interest income	24,305	-	24,305	16,966
Gain on sale of capital assets	-	1,771,384 ①	1,771,384	3,014,608
Other income	8,281	-	8,281	240,843
Total Revenues	2,087,764	323,608	2,411,372	3,894,596
Cost of Goods Sold	276	-	276	583
Gross Profit	2,087,488	323,608	2,411,096	3,894,013
Expenditures				
Advertising and marketing	133,234	-	133,234	83,935
Automobile expenses	24,382	-	24,382	23,295
Bad debts	735	-	735	20
Commissions	125,162	-	125,162	243,963
Conferences	9,575	-	9,575	8,325
Construction and development	298,943	-	298,943	781,557
Depreciation	-	143,780 ①	143,780	181,525
Fuel	19,794	-	19,794	14,115
Grant expenditures	3,279	-	3,279	-
Insurance	270,091	-	270,091	318,120
Maintenance and repairs	91,522	-	91,522	85,623
Miscellaneous	25,712	-	25,712	33,839
Office expenses	24,712	-	24,712	27,759
Outside contracting	201,433	-	201,433	93,018
Payroll taxes	67,236	-	67,236	66,560
Professional fees	36,863	-	36,863	66,049
Security	1,685	-	1,685	7,288
Training and reference material	2,134	-	2,134	2,327
Travel	24,478	-	24,478	12,294
Utilities	43,748	-	43,748	48,268
Wages and employee benefits	898,219	-	898,219	862,510
Capital expenditures and demolition	401,813	(401,813) ①	-	-
Total Expenditures	2,704,750	(258,033)	2,446,717	2,960,390
Excess of Revenues Over Expenditures	(617,262)	581,641	(35,621)	933,623

See accompanying notes to financial statements.

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2017

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2016 Statement of Activities
Excess of Revenues Over Expenditures	(617,262)	581,641	(35,621)	933,623
Fund Balance/Net Position Beginning of Year	19,620,073	(1,701,208)	17,918,865	18,200,572
Reclassification:				
Capital expenditures and demolition	401,813	(401,813)	-	-
Cost of capital assets sold	(75,974)	75,974	-	-
Change due to sales/transfers of contributed assets	(1,199,673)	-	(1,199,673)	(1,215,330)
Fund Balance/Net Position End of Year	\$ 18,128,977	\$ (1,445,406)	\$ 16,683,571	\$ 17,918,865

- ① Amounts reported for governmental activities in the Statement of Activities are different because governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. Also, when assets are sold, the difference between sales proceeds and cost, less accumulated depreciation is recorded as a gain or loss on sale of capital assets in the Statement of Activities.

See accompanying notes to financial statements.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Fort Chaffee Redevelopment Authority (the Authority) is a public trust created under the provisions of Title 28, Chapter 72, Subchapter 2 of the Arkansas Code of 1987 Annotated and is a tax-exempt organization. The trust agreement allows the Authority to act on behalf of its beneficiaries in the closure and redevelopment of a portion of the Fort Chaffee Military Base, which has been conveyed to the Authority by the Department of Defense. Beneficiaries of the trust are Sebastian County, the City of Barling, the City of Fort Smith, and the City of Greenwood, all of which are in Arkansas.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board (GASB) Statement No. 14 have been considered.

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity and are offset by program revenues. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds.

The Authority reports the following major governmental fund:

The *Special Revenue Fund* is established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, include grants, entitlements and similar items and contributions. Recognition standards are based on the characteristics and classes of nonexchange transactions. Grants, entitlements and contributions are recognized as revenues, net of uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reportable as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. Expenditures generally are recorded when the related liability is incurred as under the accrual basis of accounting, except for expenditures related to principal and interest on long-term debt.

Capital Assets and Donated Assets

Capital assets and donated assets consist of buildings, land, building improvements, furniture and fixtures, vehicles and equipment purchased by or donated to the Authority. Capital assets and donated assets are reported in the government-wide financial statements.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Capital assets are recorded at cost. Donated assets are recorded at fair market value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Buildings	5-30 years
Rail road improvements	30 years
Parking lots	5-20 years
Furniture and fixtures	7-15 years
Landscaping & site improvements	5-15 years
Machinery and equipment	2-15 years
Office equipment	5-10 years
Vehicles	5-10 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. In governmental funds, long-term liabilities are only recorded to the extent they are due and payable.

Advertising and Promotions

The Authority follows the policy of charging advertising and promotions to expense as incurred.

Net Position

Net Position is recorded as restricted when constraints placed on it are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Capital

Contributed capital represents the value of properties conveyed to the Authority for redevelopment purposes. The fair market value of the land at the time of donation was estimated based on comparable sales and real estate listings in an appraisal prepared for similar land. The fair market value of the buildings was based on the insurable value of the buildings as prepared by an independent insurance appraiser.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Subsequent Events

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditors' Report. There were no events subsequent to year end that require recognition or disclosure in the financial statements.

NOTE 2: DEPOSITS IN FINANCIAL INSTITUTIONS

The Authority uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. The Authority has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash. The Authority's uninsured cash balance totaled \$116,833 at December 31, 2017.

Legal or Contractual Provisions for Deposits and Investments

Governmental Fund Types

State law generally requires that Municipal funds be deposited in federally insured banks located in the State of Arkansas. The Municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Authority receives a majority of its support from lease income and proceeds from the sale of property.

NOTE 4: GRANTS

On July 14, 2017, the Authority was awarded a grant from the Arkansas Historic Preservation Program (AHPP) for electrical, plumbing, and restroom upgrades to a barracks building to comply with the Americans with Disabilities Act, in an amount not to exceed \$86,809. In connection with this grant, the Authority agreed to expend a cash match in the minimum amount of \$43,405. As of December 31, 2017, in accordance with the agreement, the Authority utilized \$16,285 of grant matching funds. The grant period is from July 14, 2017 through May 1, 2018. Subsequent to year end, in accordance with the agreement, the Authority utilized the remaining \$27,120 and completed the building upgrades.

On December 20, 2017, the Authority was co-awarded with the City of Fort Smith, Arkansas a grant from the U.S. Department of Commerce's Economic Development Administration in the total amount of \$800,000. This grant has a recipient share of costs also for \$800,000, thus making the total estimated cost of the project \$1,600,000. The grant is for sewer and fire protection improvements. The grant will expire in December 2022. As of December 31, 2017, no costs have been incurred on this project.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5: CONTINGENCIES

The Authority was the recipient of federal grants. Grant programs are subject to audit by the Federal government or their representatives. Accordingly, the amount, if any, of expenditures which may be disallowed by the program representatives cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Portions of the property that are to be redeveloped by the Authority contain certain environmental hazards, such as lead paint and asbestos. In addition, certain buildings were identified in the transfer application to be demolished. The Authority has developed a plan to dispose of these buildings and related hazards. The Authority's ultimate exposure for loss on the remaining buildings had not yet been determined and the period over which the remediation costs will be incurred is not determinable; however, the Authority does not expect to incur a material amount of costs during the next year.

The Authority worked with the United States Environmental Protection Agency and the Arkansas Department of Pollution Control and Ecology to clean up environmental hazards located on the excess Fort Chaffee military base property. The Authority requested that the Department of Defense not convey any property that is unusable or unsafe due to environmental or safety hazards to the Authority. The Department of the Army Corps of Engineers issued a Findings of Suitability to Transfer (FOST) before each conveyance occurred stating that the buildings and improvements had been determined to be environmentally safe for transfer. Also, on February 25, 2004, the Authority received a Ready for Reuse Determination from the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, Region 6, acknowledging that the environmental conditions on the property are protective of human health and the environment.

As a result of the ordinary course of business, the Authority is involved in various litigation as of December 31, 2017. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that any resulting unfavorable outcomes would have a minimal adverse economic impact on the Authority.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 7: LEASES

The Authority leases buildings to area businesses and organizations under cancelable operating leases. Prior to full conveyance, the Authority leased some of these buildings from the Army and subleased them to tenants. These leases normally had stated monthly rental amounts for the first six months of the lease. The second period was re-negotiated and most leases were renewed for twelve months. As the property was conveyed from the Army, the leases terminated and were renegotiated. The first conveyances of property occurred during 2000, and the final conveyances were completed during the year ended December 31, 2003.

The Authority has non-cancelable operating leases with a state agency and a Federal agency for building space leased to these entities. The following schedule presents minimum future rentals receivable from these operating leases.

Year ending December 31:	
2018	\$ 37,748
2019	15,222
2020	15,222
2021	15,222
2022	<u>900</u>
Total minimum lease payments receivable	<u>\$ 84,314</u>

NOTE 8: REDEVELOPMENT SERVICE AGREEMENTS

In July 2004, the Authority entered into Agreements for Services with the City of Fort Smith and Sebastian County. In exchange for certain services to be provided by the Authority in relation to economic development, the City and County have each agreed to pay the Authority \$31,000 per year for 13 years conditioned on the annual appropriations of that amount by the Fort Smith Board of Directors and Sebastian County Quorum Court, respectively. The City agreement commenced in 2006 and \$31,000 was received for the year ended December 31, 2017. The sum of this future funding is \$31,000. The County agreement commenced in 2007 and \$31,000 was received during the year ended December 31, 2017. The sum of this future funding is \$62,000.

In February 2009, the Authority entered into two Agreements for Services with the City of Fort Smith and Sebastian County. In exchange for certain services to be provided by the Authority in relation to economic development, the City and County have each agreed to pay the Authority on an annual basis a sum equal to the general purpose millage tax collection by the City and County from the real property associated with each agreement until each have paid thirty annual payments for one of the agreements and \$500,000 for the other agreement. During the year ended December 31, 2017, the Authority received \$115,475 from both the City and County.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9: CHANGES IN CAPITAL ASSETS

During the year ended December 31, 2017, changes in capital assets were as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 11,558,977	\$ 60,060	\$ (811,383)	\$ 10,807,654
Land improvements	530,632	25,024	(9,138)	546,518
Construction in progress	110,012	113,987	-	223,999
	<u>\$ 12,199,621</u>	<u>\$ 199,071</u>	<u>\$ (820,521)</u>	<u>\$ 11,578,171</u>
Other capital assets:				
Donated buildings	\$ 1,308,489	\$ -	\$ (388,143)	\$ 920,346
Buildings	10,238	-	-	10,238
Landscaping/site work	56,001	156,205	(3,064)	209,142
Office equipment	61,864	3,170	(11,272)	53,762
Furniture and fixtures	57,472	-	(333)	57,139
Remodeling and furnishings	716,477	-	(29,007)	687,470
Parking lots	73,013	28,289	-	101,302
Railroad improvements	187,071	-	-	187,071
Vehicles	72,679	8,109	(2,000)	78,788
Equipment	489,160	6,969	(21,992)	474,137
Total other capital assets at cost or FMV	<u>\$ 3,032,464</u>	<u>\$ 202,742</u>	<u>\$ (455,811)</u>	<u>\$ 2,779,395</u>
Less accumulated depreciation for:				
Donated buildings	\$ 1,111,320	\$ 26,203	\$ (363,698)	\$ 773,825
Buildings	2,283	512	-	2,795
Landscaping/site work	15,587	3,952	-	19,539
Office equipment	40,209	5,768	(11,080)	34,897
Furniture and fixtures	46,389	1,744	(333)	47,800
Remodeling and furnishings	194,712	40,658	(9,777)	225,593
Parking lots	11,865	4,122	-	15,987
Railroad improvements	33,777	6,236	-	40,013
Vehicles	38,408	9,993	(1,167)	47,234
Equipment	206,658	44,592	(13,527)	237,723
Total accumulated depreciation	<u>\$ 1,701,208</u>	<u>\$ 143,780</u>	<u>\$ (399,582)</u>	<u>\$ 1,445,406</u>
Capital assets being depreciated, net	<u>\$ 1,331,256</u>	<u>\$ (58,962)</u>	<u>\$ (56,229)</u>	<u>\$ 1,333,989</u>
Governmental activities capital assets, net	<u>\$ 13,530,877</u>	<u>\$(258,033)</u>	<u>\$ (876,750)</u>	<u>\$ 12,912,160</u>

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Construction in progress of \$223,999 at December 31, 2017 is for a barracks renovation project. The Authority received state grant funds of \$69,835 to assist in this project. The total estimated cost of the renovation is \$330,000, and it is expected to be completed in June 2018.

NOTE 10: RETIREMENT PLAN

The Authority established a 401(k) defined contribution plan effective January 1, 2016 for the benefit of regular full-time employees who are a minimum of eighteen years of age and have completed one year of service. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation in accordance with Section 401(k) of the Internal Revenue Code. The Authority will make matching contributions up to 4% of the employee's elective deferral. For the year ended December 31, 2017, the Authority contributed \$29,034 to the plan.

NOTE 11: COMMITMENTS

The Authority entered into an agreement dated May 27, 2016 with the City of Fort Smith to jointly develop and construct public trails to serve the development of real property associated with and in the vicinity of Chaffee Crossing. The project will be divided into three segments. The Authority has agreed to equally share the responsibility of paying the trail expenses with the City of Fort Smith, up to \$500,000 for each segment for a total not to exceed \$1,500,000. No costs have been incurred on this project yet.

The Authority entered into an agreement dated April 13, 2017 with the Western Arkansas Intermodal Authority, the Cities of Fort Smith and Van Buren, Arkansas, and the Counties of Sebastian and Crawford, Arkansas to develop an inland port and intermodal logistics park in Crawford County. The above entities have agreed to equally share the cost of the project whereas each entity has agreed to fund \$40,000 to obtain professional consulting services to develop a request for expression of interest, a targeted market assessment, and a conceptual land use plan for the proposed inland port and intermodal logistics park. The Authority's share of the project cost was paid during the year ended December 31, 2017.

The Authority entered into an agreement dated June 19, 2017 with the Cities of Fort Smith and Barling and the Arkansas State Highway and Transportation Department to widen and reroute Highway 255. The Authority has agreed to provide 25% of the project costs, not to exceed \$2,000,000. No costs have been incurred on this project yet.

REQUIRED SUPPLEMENTARY INFORMATION

FORT CHAFFEE REDEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Grants	\$ -	\$ -	\$ 35,849	\$ 35,849
Local government contributions	175,000	175,000	177,475	2,475
Historic district income	15,000	15,000	20,536	5,536
Lease income	280,000	280,000	284,074	4,074
Mowing income	6,000	6,000	8,580	2,580
Property sales	3,000,000	3,000,000	1,447,776	(1,552,224)
Rail car storage	85,000	85,000	80,888	(4,112)
Interest income	-	-	24,305	24,305
Other income	-	-	8,281	8,281
Total Revenues	3,561,000	3,561,000	2,087,764	(1,473,236)
Cost of Goods Sold	1,200	1,200	276	924
Gross Profit	3,559,800	3,559,800	2,087,488	(1,472,312)
Expenditures				
Advertising and marketing	120,000	120,000	133,234	(13,234)
Automobile expenses	25,000	25,000	24,382	618
Bad debts	-	-	735	(735)
Commissions	255,000	255,000	125,162	129,838
Conferences	9,000	10,200	9,575	625
Construction and development	1,200,000	600,000	298,943	301,057
Fuel	20,000	20,000	19,794	206
Insurance	355,000	355,000	270,091	84,909
Maintenance and repairs	111,500	111,500	91,522	19,978
Miscellaneous	38,650	37,450	25,712	11,738
Office expenses	29,000	29,000	24,712	4,288
Outside contracting	140,000	140,000	201,433	(61,433)
Payroll taxes	67,500	67,500	67,236	264
Professional fees	51,000	51,000	36,863	14,137
Security	3,000	3,000	1,685	1,315
Training and reference material	5,000	5,000	2,134	2,866
Travel	15,000	15,000	24,478	(9,478)
Utilities	55,000	55,000	43,748	11,252
Wages and employee benefits	900,700	900,700	898,219	2,481
Capital expenditures and demolition	1,470,000	1,020,000	401,813	618,187
Total Expenditures	4,870,350	3,820,350	2,704,750	1,115,600
Excess of Revenues Over Expenditures	\$ (1,310,550)	\$ (260,550)	(617,262)	\$ (356,712)
Fund Balance Beginning of Year			19,620,073	
Reclassifications			(873,834)	
Fund Balance End of Year			\$ 18,128,977	

Budget and Budgetary Accounting

The GAAP basis budget data reflected in this schedule has been taken from the budget formally enacted by the Board of Trustees.

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



**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 *Government Auditing Standards***

To the Board of Trustees
Fort Chaffee Redevelopment Authority
Fort Smith, Arkansas

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Fort Chaffee Redevelopment Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Fort Chaffee Redevelopment Authority's basic financial statements, and have issued our report thereon dated August 24, 2018, which was modified to reflect the omission of the management's discussion and analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fort Chaffee Redevelopment Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fort Chaffee Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Fort Chaffee Redevelopment Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Chaffee Redevelopment Authority'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 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 24, 2018