

**FORT CHAFFEE  
REDEVELOPMENT AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**



**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**DECEMBER 31, 2018**

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## **Independent Auditors' Report**

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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, 2018, 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.

### ***Auditors' 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 auditors' 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, 2018, 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 December 6, 2019, 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**  
**December 6, 2019**

***BASIC FINANCIAL STATEMENTS***

# FORT CHAFFEE REDEVELOPMENT AUTHORITY

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

AS OF DECEMBER 31, 2018

	Governmental Fund		Adjustments	Statement of Net Position	(Memorandum Only) 2017 Statement of Net Position
<b>Assets</b>					
Cash and cash equivalents	\$	3,197,092	\$ -	\$ 3,197,092	\$ 3,751,282
Accounts receivable		32,550	-	32,550	52,609
Prepaid expenses		29,700	-	29,700	34,300
Inventory		833	-	833	938
Interest receivable		9,904	-	9,904	11,004
Capital assets					
Donated assets					
Donated land		9,833,954	-	9,833,954	10,807,654
Donated buildings (net of accumulated depreciation)		692,846	(567,592) ①	125,254	146,521
Other capital assets (net of accumulated depreciation)		2,382,788	(781,066) ①	1,601,722	1,411,467
Land improvements		546,518	-	546,518	546,518
<b>Total Assets</b>		<b>16,726,185</b>	<b>(1,348,658)</b>	<b>15,377,527</b>	<b>16,762,293</b>
<b>Liabilities</b>					
Accounts payable		191,184	-	191,184	3,224
Payroll and payroll taxes payable		-	-	-	70
Other accrued expenses		18,301	-	18,301	34,064
Lease deposits and prepayments		16,266	-	16,266	41,364
<b>Total Liabilities</b>		<b>225,751</b>	<b>-</b>	<b>225,751</b>	<b>78,722</b>
<b>Fund equity:</b>					
Contributed capital		10,526,800	(10,526,800)	-	-
Investment in fixed assets		2,929,306	(2,929,306)	-	-
<b>Fund balances:</b>					
Nonspendable		30,533	(30,533)	-	-
Spendable:					
Unassigned		3,013,795	(3,013,795)	-	-
<b>Total Fund Balances</b>		<b>16,500,434</b>	<b>(16,500,434)</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	\$	<b>16,726,185</b>			
<b>Net Position:</b>					
Net investment in capital assets			2,148,240	2,148,240	1,957,985
Unrestricted			13,003,536	13,003,536	14,725,586
<b>Total Net Position</b>			<b>15,151,776</b>	<b>15,151,776</b>	<b>16,683,571</b>
<b>Total Liabilities and Net Position</b>	\$		<b>(1,348,658)</b>	<b>\$ 15,377,527</b>	<b>\$ 16,762,293</b>

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, 2018

	(Memorandum Only)			
			2017	
	Governmental Fund	Adjustments	Statement of Activities	Statement of Activities
<b>Revenues</b>				
Grants	\$ 54,240	\$ -	\$ 54,240	\$ 35,849
Local government contributions	217,020	-	217,020	177,475
Historic district income	27,201	-	27,201	20,536
Lease income	223,912	-	223,912	284,074
Mowing income	7,163	-	7,163	8,580
Property sales	965,026	(965,026) ①	-	-
Rail car storage	45,343	-	45,343	80,888
Interest income	37,036	-	37,036	24,305
Gain on sale of capital assets	-	1,167,590 ①	1,167,590	1,771,384
Other income	3,511	-	3,511	8,281
<b>Total Revenues</b>	<b>1,580,452</b>	<b>202,564</b>	<b>1,783,016</b>	<b>2,411,372</b>
<b>Cost of Goods Sold</b>	<b>250</b>	<b>-</b>	<b>250</b>	<b>276</b>
<b>Gross Profit</b>	<b>1,580,202</b>	<b>202,564</b>	<b>1,782,766</b>	<b>2,411,096</b>
<b>Expenditures</b>				
Advertising and marketing	111,933	-	111,933	133,234
Automobile expenses	20,526	-	20,526	24,382
Bad debts	-	-	-	735
Closing costs	12,763	-	12,763	20,399
Commissions	91,348	-	91,348	125,162
Conferences	5,188	-	5,188	9,575
Construction and development	392,611	-	392,611	298,943
Depreciation	-	145,141 ①	145,141	143,780
Fuel	17,790	-	17,790	19,794
Grant expenditures	28,826	-	28,826	3,279
Insurance	188,310	-	188,310	270,091
Maintenance and repairs	84,734	-	84,734	91,522
Miscellaneous	9,502	-	9,502	5,313
Office expenses	21,466	-	21,466	24,712
Outside contracting	50,815	-	50,815	201,433
Payroll taxes	57,716	-	57,716	67,236
Professional fees	36,291	-	36,291	36,863
Security	1,526	-	1,526	1,685
Training and reference material	516	-	516	2,134
Travel	2,095	-	2,095	24,478
Utilities	55,989	-	55,989	43,748
Wages and employee benefits	718,275	-	718,275	898,219
Capital expenditures and demolition	399,066	(399,066) ①	-	-
<b>Total Expenditures</b>	<b>2,307,286</b>	<b>(253,925)</b>	<b>2,053,361</b>	<b>2,446,717</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(727,084)</b>	<b>456,489</b>	<b>(270,595)</b>	<b>(35,621)</b>

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, 2018

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2017 Statement of Activities
<b>Excess of Revenues Over Expenditures</b>	(727,084)	456,489	(270,595)	(35,621)
<b>Fund Balance/Net Position Beginning of Year</b>	18,128,977	(1,445,406)	16,683,571	17,918,865
<b>Reclassification:</b>				
Capital expenditures and demolition	399,066	(399,066)	-	-
Cost of capital assets sold	(39,325)	39,325	-	-
Change due to sales/transfers of contributed assets	(1,261,200)	-	(1,261,200)	(1,199,673)
<b>Fund Balance/Net Position End of Year</b>	\$ 16,500,434	\$ (1,348,658)	\$ 15,151,776	\$ 16,683,571

- 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**  
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**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.

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***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. For this purpose, the Authority considers revenues to be available if they are collected within 60 days after year-end. 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.

***Prepaid Expenses***

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which the services are consumed.

***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.

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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.

***Compensated Absences***

Employees earn vacation and sick pay in varying amounts based upon length of service with the Authority. Employees can carryforward unlimited unused sick and up to 160 vacation hours from year to year. Upon termination from the Authority, employees are paid their unused accumulated vacation. No unused sick pay is paid upon termination. The Authority has \$14,558 accrued for compensated absences at December 31, 2018.

***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.

***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.

***Advertising and Promotions***

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

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***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.

***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 maintains operating and brokerage accounts in several financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts in each institution up to \$250,000. As of December 31, 2018, the Authority had uninsured deposits of \$175,051. The Authority does not believe that there is any significant credit risk nor has the Authority experienced any losses in such accounts.

**Legal or Contractual Provisions for Deposits and Investments**

**Governmental Fund Types**

State law generally requires that all 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. The Authority received \$54,240 and \$32,569 of these funds in the years ended December 31, 2018 and 2017, respectively. In connection with this grant, the Authority agreed to expend a cash match in the minimum amount of \$43,405. The Authority spent \$27,120 and \$16,285 of matching funds during the years ended December 31, 2018 and 2017, respectively, and completed the upgrades in 2018.

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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, 2018, the Authority incurred matching costs of \$28,826 related to this project.

**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, 2018. 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

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were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

**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 a non-cancelable operating lease with a Federal agency for building space leased to this entity. The following schedule presents minimum future rentals receivable from this operating lease.

Year ending December 31:	
2019	\$ 15,222
2020	15,222
2021	15,222
2022	<u>900</u>
Total minimum lease payments receivable	<u>\$ 46,566</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 the final \$31,000 payment was received for the year ended December 31, 2018. The County agreement commenced in 2007 and \$31,000 was received during the year ended December 31, 2018. The sum of this future funding is \$31,000.

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, 2018, the Authority received \$155,020 from both the City and County.

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**NOTE 9: CHANGES IN CAPITAL ASSETS**

During the year ended December 31, 2018, changes in capital assets were as follows:

	<b>Balance January 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2018</b>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,807,654	\$ 60,000	\$(1,033,700)	\$ 9,833,954
Land improvements	546,518	-	-	546,518
Construction in progress	223,999	124,984	-	348,983
	<u>\$ 11,578,171</u>	<u>\$ 184,984</u>	<u>\$(1,033,700)</u>	<u>\$ 10,729,455</u>
Other capital assets:				
Donated buildings	\$ 920,346	\$ -	\$ (227,500)	\$ 692,846
Buildings	10,238	-	-	10,238
Landscaping/site work	209,142	1,578	-	210,720
Office equipment	53,762	-	-	53,762
Furniture and fixtures	57,139	2,332	-	59,471
Remodeling and furnishings	687,470	46,352	(36,170)	697,652
Parking lots	101,302	-	-	101,302
Railroad improvements	187,071	151,161	-	338,232
Vehicles	78,788	-	-	78,788
Equipment	474,137	37,903	(28,400)	483,640
Total other capital assets at cost or FMV	<u>\$ 2,779,395</u>	<u>\$ 239,326</u>	<u>\$ (292,070)</u>	<u>\$ 2,726,651</u>
Less accumulated depreciation for:				
Donated buildings	\$ 773,825	\$ 21,267	\$ (227,500)	\$ 567,592
Buildings	2,795	511	-	3,306
Landscaping/site work	19,539	8,476	-	28,015
Office equipment	34,897	5,407	-	40,304
Furniture and fixtures	47,800	1,322	-	49,122
Remodeling and furnishings	225,593	38,579	(11,113)	253,059
Parking lots	15,987	9,308	-	25,295
Railroad improvements	40,013	8,755	-	48,768
Vehicles	47,234	8,536	-	55,770
Equipment	237,723	42,980	(3,276)	277,427
Total accumulated depreciation	<u>\$ 1,445,406</u>	<u>\$ 145,141</u>	<u>\$ (241,889)</u>	<u>\$ 1,348,658</u>
Capital assets being depreciated, net	<u>\$ 1,333,989</u>	<u>\$ (94,185)</u>	<u>\$ (50,181)</u>	<u>\$ 1,377,993</u>
Governmental activities capital assets, net	<u>\$ 12,912,160</u>	<u>\$(279,169)</u>	<u>\$(1,083,881)</u>	<u>\$ 12,107,448</u>



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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Construction in progress of \$348,983 at December 31, 2018 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 \$440,000, and it is expected to be completed in December 2020.

**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, 2018, the Authority contributed \$23,578 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.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The Authority conducts business with some companies which are partly owned by or related to members of the Authority and/or Board of Trustees. These services include catering, telephone and internet and cleaning services. The total of these transactions for the year ended December 31, 2018 was \$11,349.

***REQUIRED SUPPLEMENTARY INFORMATION***

# FORT CHAFFEE REDEVELOPMENT AUTHORITY

## BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Grants	\$ -	\$ -	\$ 54,240	\$ 54,240
Local government contributions	173,000	173,000	217,020	44,020
Historic district income	30,000	30,000	27,201	(2,799)
Lease income	225,000	225,000	223,912	(1,088)
Mowing income	9,000	9,000	7,163	(1,837)
Property sales	2,500,000	2,500,000	965,026	(1,534,974)
Rail car storage	80,000	80,000	45,343	(34,657)
Interest income	-	-	37,036	37,036
Other income	-	-	3,511	3,511
<b>Total Revenues</b>	<b>3,017,000</b>	<b>3,017,000</b>	<b>1,580,452</b>	<b>(1,436,548)</b>
<b>Cost of Goods Sold</b>	<b>600</b>	<b>600</b>	<b>250</b>	<b>350</b>
<b>Gross Profit</b>	<b>3,016,400</b>	<b>3,016,400</b>	<b>1,580,202</b>	<b>(1,436,198)</b>
<b>Expenditures</b>				
Advertising and marketing	120,000	120,000	111,933	8,067
Automobile expenses	24,500	24,500	20,526	3,974
Closing costs	30,000	30,000	12,763	17,237
Commissions	212,500	212,500	91,348	121,152
Conferences	8,000	8,000	5,188	2,812
Construction and development	1,000,000	1,000,000	392,611	607,389
Fuel	20,000	20,000	17,790	2,210
Grant expenditures	-	-	28,826	(28,826)
Insurance	208,000	208,000	188,310	19,690
Maintenance and repairs	91,000	91,000	84,734	6,266
Miscellaneous	9,200	9,200	9,502	(302)
Office expenses	25,500	25,500	21,466	4,034
Outside contracting	150,000	150,000	50,815	99,185
Payroll taxes	65,500	65,500	57,716	7,784
Professional fees	71,000	71,000	36,291	34,709
Security	3,000	3,000	1,526	1,474
Training and reference material	1,000	1,000	516	484
Travel	22,000	22,000	2,095	19,905
Utilities	48,000	48,000	55,989	(7,989)
Wages and employee benefits	877,900	877,900	718,275	159,625
Capital expenditures and demolition	1,000,000	1,000,000	399,066	600,934
<b>Total Expenditures</b>	<b>3,987,100</b>	<b>3,987,100</b>	<b>2,307,286</b>	<b>1,679,814</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ (970,700)</b>	<b>\$ (970,700)</b>	<b>(727,084)</b>	<b>\$ 243,616</b>
<b>Fund Balance Beginning of Year</b>			<b>18,128,977</b>	
<b>Reclassifications</b>			<b>(901,459)</b>	
<b>Fund Balance End of Year</b>			<b>\$ 16,500,434</b>	

### ***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 Auditors' 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***

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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, 2018, 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 December 6, 2019, 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**  
**December 6, 2019**