

**FORT CHAFFEE
REDEVELOPMENT AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019**



FORT CHAFFEE REDEVELOPMENT AUTHORITY
DECEMBER 31, 2019

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Independent Auditors' 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, 2019, 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, 2019, 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 17 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 October 28, 2020, 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
October 28, 2020

BASIC FINANCIAL STATEMENTS

FORT CHAFFEE REDEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

AS OF DECEMBER 31, 2019

	(Memorandum Only)			
	Governmental		Statement of	Statement of
	Fund	Adjustments	Net Position	2018 Net Position
Assets				
Cash and cash equivalents	\$ 3,743,452	\$ -	\$ 3,743,452	\$ 3,197,092
Accounts receivable	31,687	-	31,687	32,550
Prepaid expenses	26,700	-	26,700	29,700
Inventory	642	-	642	833
Interest receivable	14,235	-	14,235	9,904
Capital assets				
Land available for sale	8,908,594	-	8,908,594	9,833,954
Buildings available for sale net of accumulated depreciation)	847,846	(522,049) ①	325,797	125,254
Other capital assets (net of accumulated depreciation)	2,520,615	(858,667) ①	1,661,948	1,601,722
Land improvements	540,070	-	540,070	546,518
Total Assets	\$ 16,633,841	\$ (1,380,716)	\$ 15,253,125	\$ 15,377,527
Liabilities				
Accounts payable	\$ 248,391	\$ -	\$ 248,391	\$ 191,184
Payroll and payroll taxes payable	202	-	202	-
Other accrued expenses	16,109	-	16,109	18,301
Lease deposits and prepayments	11,646	-	11,646	16,266
Total Liabilities	276,348	-	276,348	225,751
Fund equity:				
Contributed capital	9,756,440	(9,756,440)	-	-
Investment in fixed assets	3,060,685	(3,060,685)	-	-
Fund balances:				
Nonspendable	27,342	(27,342)	-	-
Spendable:				
Unassigned	3,513,026	(3,513,026)	-	-
Total Fund Balances	16,357,493	(16,357,493)	-	-
Total Liabilities and Fund Balances	\$ 16,633,841			
Net Position:				
Net investment in capital assets		11,436,409	11,436,409	12,107,448
Unrestricted		3,540,368	3,540,368	3,044,328
Total Net Position		14,976,777	14,976,777	15,151,776
Total Liabilities and Net Position		\$ (1,380,716)	\$ 15,253,125	\$ 15,377,527

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, 2019

	(Memorandum Only)			
			2018	
	Governmental Fund	Adjustments	Statement of Activities	Statement of Activities
Revenues				
Grants	\$ -	\$ -	\$ -	\$ 54,240
Local government contributions	291,485	-	291,485	217,020
Historic district income	15,191	-	15,191	27,201
Lease income	191,571	-	191,571	223,912
Mowing income	3,620	-	3,620	7,163
Property sales	2,676,100	(2,676,100) ①	-	-
Rail car storage	74,840	-	74,840	45,343
Interest income	61,089	-	61,089	37,036
Gain (loss) on sale of capital assets	-	2,721,553 ①	2,721,553	1,167,590
Other income	7,824	-	7,824	3,511
Total Revenues	3,321,720	45,453	3,367,173	1,783,016
Cost of Goods Sold	143	-	143	250
Gross Profit	3,321,577	45,453	3,367,030	1,782,766
Expenditures				
Advertising and marketing	84,690	-	84,690	111,933
Automobile expenses	15,640	-	15,640	20,526
Closing costs	21,657	-	21,657	12,763
Commissions	188,509	-	188,509	91,348
Conferences	4,577	-	4,577	5,188
Construction and development	488,751	-	488,751	392,611
Depreciation	-	148,110 ①	148,110	145,141
Fuel	13,653	-	13,653	17,790
Grant expenditures	315,295	-	315,295	28,826
Insurance	176,353	-	176,353	188,310
Maintenance and repairs	93,154	-	93,154	66,648
Miscellaneous	7,595	-	7,595	9,502
Office expenses	25,023	-	25,023	21,466
Outside contracting	102,289	-	102,289	68,901
Payroll taxes	49,219	-	49,219	57,716
Professional fees	60,143	-	60,143	36,291
Security	2,133	-	2,133	1,526
Training and reference material	1,387	-	1,387	516
Travel	953	-	953	2,095
Utilities	55,259	-	55,259	55,989
Wages and employee benefits	649,681	-	649,681	718,275
Capital expenditures and demolition	469,576	(469,576) ①	-	-
Total Expenditures	2,825,537	(321,466)	2,504,071	2,053,361
Excess of Revenues Over (Under) Expenditure	496,040	366,919	862,959	(270,595)

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, 2019

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2018 Statement of Activities
Excess of Revenues Over (Under) Expenditure	496,040	366,919	862,959	(270,595)
Fund Balance/Net Position Beginning of Year	16,500,434	(1,348,658)	15,151,776	16,683,571
Reclassification:				
Capital expenditures and demolition	469,576	(469,576)	-	-
Cost of capital assets sold	(70,599)	70,599	-	-
Change due to sales/transfers of contributed assets	(1,037,958)	-	(1,037,958)	(1,261,200)
Fund Balance/Net Position End of Year	\$ 16,357,493	\$ (1,380,716)	\$ 14,976,777	\$ 15,151,776

- 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.

For financial reporting purposes, conformance with the Governmental Accounting Standards Board (GASB), the Authority includes all funds, account groups, departments, agencies, boards, commissions and other organizations over which the Authority exercises oversight responsibility. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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:

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

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.

Accounts Receivable

Accounts receivable in government funds and government activities include amounts owed for rent and other services provided. Interest and investment earnings are recorded when earned, only if paid within sixty days, since they would be considered both measurable and available at the fund level. Management believes that all receivables are collectible, therefore no allowance for doubtful accounts is necessary at year-end.

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Inventory

Inventory consists of merchandise for sale at the museums and is stated at the lower of cost or net realizable value, cost being calculated using the first-in, first-out method.

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, equipment and other assets purchased by or donated to the Authority. Capital assets and donated assets are reported in the government-wide financial statements. In government funds, capital assets acquired are accounted for as capital outlay expenditures.

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	5-30 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 had \$14,271 and \$14,558 accrued for compensated absences at December 31, 2019 and 2018, respectively.

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Net Position and Fund Balance

Government-Wide Financial Statements

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by 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 – Net position is reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.

Unrestricted Net Position – Unrestricted net position represents net position that is not restricted because of constraints imposed by external parties or imposed by laws of other governments or related to the acquisition and construction of capital assets. Unrestricted net position consists of net position that does not meet the definition of “restricted” or net investment in capital assets”

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These fund classifications are defined as:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Authority. The Board of Trustees is the highest level of decision making for the Authority. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

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Unassigned – all other spendable amounts.

When an expenditure is incurred for governmental funds which can be paid using either restricted or unrestricted resources, generally it is the Authority's policy to pay the expenditure from restricted fund balance and then from less restrictive fund balance classifications – committed , assigned, then unassigned.

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.

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. This will 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.

NOTE 2: DEPOSITS IN FINANCIAL INSTITUTIONS

The Authority maintains operating and brokerage accounts in several financial institutions. Both the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insure accounts at each applicable institution up to \$250,000. As of December 31, 2019, the Authority had uninsured deposits of \$273,025. 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4: GRANTS

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. The Authority incurred matching costs \$315,295 and of \$28,826 related to this project during the years ended December 31, 2019 and 2018, respectively.

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 the remaining \$54,240 of these funds in the year ended December 31, 2018. In connection with this grant, the Authority agreed to expend a cash match in the minimum amount of \$43,405. The Authority spent the remaining matching funds of \$27,120 during the year ended December 31, 2018, completing the upgrades in 2018.

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.

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As a result of the ordinary course of business, the Authority is involved in various litigation as of December 31, 2019. 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: LEASES

The Authority leases buildings to many area businesses and organizations under cancelable operating leases. Most lease terms are for one year with rent due monthly and cancellable without penalty if notice of 30 days is provided. The total cost and net book value of the rented property at December 31, 2019 is \$1,698,487 and \$1,087,132, respectively. Rental income provided by leases was \$191,571 and \$223,912 during the years ended December 31, 2019 and 2018, respectively.

NOTE 7: 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 during the year ended December 31, 2018. The County agreement commenced in 2007 and the final \$31,000 was received during the year ended December 31, 2019.

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 years ended December 31, 2019 and 2018, the Authority received \$260,485 and \$155,020, respectively, from both the City and County.

NOTE 8: RETIREMENT PLAN

The Authority established a 401(k) defined contribution plan for the benefit of employees who are a minimum of eighteen years of age. 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 employees that have completed one year of service and work a minimum of 1,000 hours annually. The plan also includes a discretionary contribution for which there is no minimum service requirement. For the years ended December 31, 2019 and 2018, the Authority contributed \$20,544 and \$23,578, respectively, to the plan.

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NOTE 9: CHANGES IN CAPITAL ASSETS

During the year ended December 31, 2019, changes in capital assets were as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,833,954	\$ 25,598	\$ (950,958)	\$ 8,908,594
Land improvements	546,518	-	(6,448)	540,070
Construction in progress	348,983	-	-	348,983
	<u>\$ 10,729,455</u>	<u>\$ 25,598</u>	<u>\$ (957,406)</u>	<u>\$ 9,797,647</u>
Other capital assets:				
Donated buildings	\$ 692,846	\$ 242,000	\$ (87,000)	\$ 847,846
Buildings	10,238	-	-	10,238
Landscaping/site work	210,720	70,536	(3,168)	278,088
Office equipment	53,762	4,443	-	58,205
Furniture and fixtures	59,471	21,864	-	81,335
Remodeling and furnishings	697,652	7,402	(13,986)	691,068
Parking lots	101,302	89,844	-	191,146
Railroad improvements	338,232	-	-	338,232
Vehicles	78,788	-	(7,557)	71,231
Equipment	483,640	7,889	(39,441)	452,088
Total other capital assets at cost or FMV	<u>\$ 2,726,651</u>	<u>\$ 443,978</u>	<u>\$ (151,152)</u>	<u>\$ 3,019,477</u>
Less accumulated depreciation for:				
Donated buildings	\$ 567,592	\$ 25,194	\$ (70,737)	\$ 522,049
Buildings	3,306	511	-	3,817
Landscaping/site work	28,015	8,664	(1,531)	35,148
Office equipment	40,304	5,067	-	45,371
Furniture and fixtures	49,122	924	-	50,046
Remodeling and furnishings	253,059	37,960	(6,160)	284,859
Parking lots	25,295	12,606	-	37,901
Railroad improvements	48,768	11,274	-	60,042
Vehicles	55,770	5,622	(7,268)	54,124
Equipment	277,427	40,288	(30,357)	287,358
Total accumulated depreciation	<u>\$ 1,348,658</u>	<u>\$ 148,110</u>	<u>\$ (116,053)</u>	<u>\$ 1,380,715</u>
Capital assets being depreciated, net	<u>\$ 1,377,993</u>	<u>\$ 295,868</u>	<u>\$ (35,099)</u>	<u>\$ 1,638,762</u>
Governmental activities capital assets, net	<u>\$ 12,107,448</u>	<u>\$ 321,466</u>	<u>\$ (992,505)</u>	<u>\$ 11,436,409</u>

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Construction in progress of \$348,983 at December 31, 2019 and 2018 is for a barracks renovation project. The Authority received state grant funds of \$69,835 to assist in this project. The project is currently on hold while the Authority seeks additional grant funds to complete the final phase. The total estimated cost of the renovation is \$526,000.

NOTE 10: 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. The Authority has incurred \$196,680 of costs related to this project as of December 31, 2019.

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.

The Authority entered into an agreement dated October 2, 2018 with the City of Fort Smith to equally share the costs for resurfacing 7,000 feet of Wells Lake Road. The Authority has incurred \$278,072 and \$101,470 of costs related to this project during the years ended December 31, 2019 and 2018, respectively. The total cost of the project was \$759,084 and it was completed in 2019.

The Authority entered into an agreement dated June 5, 2019 with the City of Fort Smith to redevelop some property owned by the Authority into a useful recreational facility including pickleball courts. The Authority has agreed to spend no more than \$64,000 on this project. Once complete, the Authority will offer the property for sale to the City for the sum equal to total expenses paid by the Authority. The Authority has incurred \$63,515 of costs related to this project as of December 31, 2019.

NOTE 11: 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.

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 years ended December 31, 2019 and 2018 were \$6,438 and \$11,349, respectively.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 – SUBSEQUENT EVENTS

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2019 through October 28, 2020, the date the financial statements were available to be issued. On March 11, 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The spread of COVID-19 continues to cause global economic uncertainty as of the date of this report. It is possible that the Authority could see a decline in land sales or lease rental income as businesses discontinue operations, however, there has not been any significant decrease to date. The Authority is closely monitoring operations, liquidity, and capital resources to minimize the current and future impact of this unprecedented situation. However, the full financial impact of the pandemic cannot reasonably be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

FORT CHAFFEE REDEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local government contributions	\$ 180,000	\$ 180,000	\$ 291,485	\$ 111,485
Historic district income	30,000	30,000	15,191	(14,809)
Lease income	192,000	192,000	191,571	(429)
Mowing income	6,000	6,000	3,620	(2,380)
Property sales	1,500,000	1,500,000	2,676,100	1,176,100
Rail car storage	45,000	45,000	74,840	29,840
Interest income	-	-	61,089	61,089
Other income	-	-	7,824	7,824
Total Revenues	1,953,000	1,953,000	3,321,720	1,368,720
Cost of Goods Sold	500	500	143	357
Gross Profit	1,952,500	1,952,500	3,321,577	1,369,077
Expenditures				
Advertising and marketing	108,000	108,000	84,690	23,310
Automobile expenses	19,600	19,600	15,640	3,960
Closing costs	19,500	19,500	21,657	(2,157)
Commissions	135,000	135,000	188,509	(53,509)
Conferences	7,000	7,000	4,577	2,423
Construction and development	1,800,000	1,800,000	488,751	1,311,249
Fuel	19,000	19,000	13,653	5,347
Grant expenditures	-	-	315,295	(315,295)
Insurance	197,000	197,000	176,353	20,647
Maintenance and repairs	86,000	86,000	93,154	(7,154)
Miscellaneous	7,400	7,400	7,595	(195)
Office expenses	24,900	24,900	25,023	(123)
Outside contracting	80,000	80,000	102,289	(22,289)
Payroll taxes	57,200	57,200	49,219	7,981
Professional fees	70,000	70,000	60,143	9,857
Security	3,000	3,000	2,133	867
Training and reference material	1,000	1,000	1,387	(387)
Travel	10,000	10,000	953	9,047
Utilities	55,000	55,000	55,259	(259)
Wages and employee benefits	720,000	720,000	649,681	70,319
Capital expenditures and demolition	532,000	532,000	469,576	62,424
Total Expenditures	3,951,600	3,951,600	2,825,537	1,126,063
Excess of Revenues Over Expenditures	\$ (1,999,100)	\$ (1,999,100)	496,040	\$ 2,495,140
Fund Balance Beginning of Year			16,500,434	
Reclassifications			(638,981)	
Fund Balance End of Year			\$ 16,357,493	

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 auditors' 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***

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, 2019, 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 October 28, 2020, 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
October 28, 2020