

**FORT CHAFFEE
REDEVELOPMENT AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020**



FORT CHAFFEE REDEVELOPMENT AUTHORITY
DECEMBER 31, 2020

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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, 2020, 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, 2020, 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 August 31, 2021 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.

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
August 31, 2021

BASIC FINANCIAL STATEMENTS

FORT CHAFFEE REDEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

AS OF DECEMBER 31, 2020

	(Memorandum Only)			
	Governmental		Statement of	Statement of
	Fund	Adjustments	Net Position	Net Position
	2019			
Assets				
Cash and cash equivalents	\$ 2,798,133	\$ -	\$ 2,798,133	\$ 3,743,452
Accounts receivable	34,092	-	34,092	31,687
Prepaid expenses	30,200	-	30,200	26,700
Inventory	574	-	574	642
Interest receivable	-	-	-	14,235
Capital assets				
Land available for sale	8,568,379	-	8,568,379	8,908,594
Buildings available for sale net of accumulated depreciation)	791,346	(514,745) ①	276,601	325,797
Other capital assets (net of accumulated depreciation)	2,408,018	(916,140) ①	1,491,878	1,661,948
Land improvements	523,547	-	523,547	540,070
Total Assets	\$ 15,154,289	\$ (1,430,885)	\$ 13,723,404	\$ 15,253,125
Liabilities				
Accounts payable	\$ 95,685	\$ -	\$ 95,685	\$ 248,391
Payroll and payroll taxes payable	-	-	-	202
Other accrued expenses	20,893	-	20,893	16,109
Lease deposits and prepayments	29,511	-	29,511	11,646
Total Liabilities	146,089	-	146,089	276,348
Fund equity:				
Contributed capital	9,359,725	(9,359,725)	-	-
Investment in fixed assets	2,931,565	(2,931,565)	-	-
Fund balances:				
Nonspendable	30,774	(30,774)	-	-
Spendable:				
Unassigned	2,686,136	(2,686,136)	-	-
Total Fund Balances	15,008,200	(15,008,200)	-	-
Total Liabilities and Fund Balances	\$ 15,154,289			
Net Position:				
Net investment in capital assets		10,860,405	10,860,405	11,436,409
Unrestricted		2,716,910	2,716,910	3,540,368
Total Net Position		13,577,315	13,577,315	14,976,777
Total Liabilities and Net Position		\$ (1,430,885)	\$ 13,723,404	\$ 15,253,125

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, 2020

	(Memorandum Only)			
			2019	
	Governmental Fund	Adjustments	Statement of Activities	Statement of Activities
Revenues				
Local government contributions	\$ 284,051	\$ -	\$ 284,051	\$ 291,485
Historic district income	3,442	-	3,442	15,191
Lease income	163,693	-	163,693	191,571
Mowing income	3,280	-	3,280	3,620
Property sales	2,048,092	(2,048,092) ①	-	-
Rail car storage	53,039	-	53,039	74,840
Interest income	20,662	-	20,662	61,089
Gain (loss) on sale of capital assets	-	1,932,776 ①	1,932,776	2,721,553
In-kind income	55,088	-	55,088	-
Other income	16,326	-	16,326	7,824
Total Revenues	2,647,673	(115,316)	2,532,357	3,367,173
Cost of Goods Sold	68	-	68	143
Gross Profit	2,647,605	(115,316)	2,532,289	3,367,030
Expenditures				
Advertising and marketing	57,375	-	57,375	84,690
Automobile expenses	14,459	-	14,459	15,640
Closing costs	19,922	-	19,922	21,657
Commissions	179,230	-	179,230	188,509
Conferences	3,235	-	3,235	4,577
Construction and development	1,342,724	-	1,342,724	488,751
Depreciation	-	162,974 ①	162,974	148,110
Fuel	4,475	-	4,475	13,653
Grant expenditures	17,730	-	17,730	315,295
Insurance	195,089	-	195,089	176,353
Maintenance and repairs	98,142	-	98,142	93,154
Miscellaneous	3,838	-	3,838	7,595
Office expenses	22,871	-	22,871	25,023
Outside contracting	85,963	-	85,963	102,289
Payroll taxes	42,347	-	42,347	49,219
Professional fees	62,246	-	62,246	60,143
Security	2,371	-	2,371	2,133
Training and reference material	758	-	758	1,387
Travel	-	-	-	953
Utilities	38,687	-	38,687	55,259
Wages and employee benefits	647,695	-	647,695	649,681
Capital expenditures and demolition	631,907	(631,907) ①	-	-
Total Expenditures	3,471,064	(468,933)	3,002,131	2,504,071
Excess of Revenues Over (Under) Expenditure	(823,459)	353,617	(469,842)	862,959

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, 2020

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2019 Statement of Activities
Excess of Revenues Over (Under) Expenditure	(823,459)	353,617	(469,842)	862,959
Fund Balance/Net Position Beginning of Year	16,357,493	(1,380,716)	14,976,777	15,151,776
Reclassification:				
Capital expenditures and demolition	631,907	(631,907)	-	-
Cost of capital assets sold	(228,121)	228,121	-	-
Change due to sales/transfers of contributed assets	(929,620)	-	(929,620)	(1,037,958)
Fund Balance/Net Position End of Year	\$ 15,008,200	\$ (1,430,885)	\$ 13,577,315	\$ 14,976,777

- 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, 2020

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.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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
Street improvements	20 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 \$16,827 and \$14,271 accrued for compensated absences at December 31, 2020 and 2019, 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.

Unassigned – all other spendable amounts.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
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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, 2020, the Authority had uninsured deposits of \$914,800. 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.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4: CHANGES IN CAPITAL ASSETS

During the year ended December 31, 2020, changes in capital assets were as follows:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,908,594	\$ 478,660	\$ (818,875)	\$ 8,568,379
Land improvements	540,070	-	(16,523)	523,547
Construction in progress	348,983	-	(348,983)	-
	<u>\$ 9,797,647</u>	<u>\$ 478,660</u>	<u>\$ (1,184,381)</u>	<u>\$ 9,091,926</u>
Other capital assets:				
Donated buildings	\$ 847,846	\$ 54,245	\$ (110,745)	\$ 791,346
Buildings	10,238	-	(2,173)	8,065
Landscaping/site work	278,088	829	(63,514)	215,403
Office equipment	58,205	5,827	(4,642)	59,390
Furniture and fixtures	81,335	-	(441)	80,894
Remodeling and furnishings	691,068	346,908	(114,253)	923,723
Parking lots	191,146	-	-	191,146
Railroad improvements	338,232	-	-	338,232
Street improvements	-	79,481	-	79,481
Vehicles	71,231	-	-	71,231
Equipment	452,088	14,940	(26,575)	440,453
Total other capital assets at cost or FMV	<u>\$ 3,019,477</u>	<u>\$ 502,230</u>	<u>\$ (322,343)</u>	<u>\$ 3,199,364</u>
Less accumulated depreciation for:				
Donated buildings	\$ 522,049	\$ 33,994	\$ (41,298)	\$ 514,745
Buildings	3,817	476	(715)	3,578
Landscaping/site work	35,148	9,484	(424)	44,208
Office equipment	45,371	5,302	(4,641)	46,032
Furniture and fixtures	50,046	4,381	(440)	53,987
Remodeling and furnishings	284,859	34,697	(43,692)	275,864
Parking lots	37,901	21,829	-	59,730
Railroad improvements	60,042	11,274	-	71,316
Street improvements	-	1,530	-	1,530
Vehicles	54,124	5,489	-	51,613
Equipment	287,358	34,518	(21,594)	300,282
Total accumulated depreciation	<u>\$ 1,380,715</u>	<u>\$ 162,974</u>	<u>\$ (112,804)</u>	<u>\$ 1,430,885</u>
Capital assets being depreciated, net	<u>\$ 1,638,762</u>	<u>\$ 339,256</u>	<u>\$ (209,539)</u>	<u>\$ 1,768,479</u>
Governmental activities capital assets, net	<u>\$ 11,436,409</u>	<u>\$ 817,916</u>	<u>\$ (1,393,920)</u>	<u>\$ 10,860,405</u>

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 4: CHANGES IN CAPITAL ASSETS (Continued)

Construction in progress of \$348,983 was for phase one of a barracks renovation project that was completed in 2020. The Authority received state grant funds of \$69,835 to assist in this project. The Authority is seeking additional funding for phase two of the project which is expected to cost approximately \$175,000.

NOTE 5: 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 of \$36,093 and \$315,295 related to this project during the years ended December 31, 2020 and 2019, respectively.

NOTE 6: IN-KIND INCOME

The Authority received in-kind income totaling \$55,088 during the year ended December 31, 2020, for street surface improvements to Buckhorn Street which is owned by the Authority. The Authority contributed \$18,362 towards the cost of the project.

NOTE 7: 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.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 7: CONTINGENCIES (continued)

As a result of the ordinary course of business, the Authority is involved in various litigation as of December 31, 2020. 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 8: LEASES

The Authority leases buildings to several 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, 2020 is \$1,591,491 and \$1,004,538, respectively. Rental income provided by leases was \$163,693 and \$191,571 during the years ended December 31, 2020 and 2019, respectively.

NOTE 9: 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 concluded in 2018. The County agreement commenced in 2007 and the final \$31,000 was received in 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, 2020 and 2019, the Authority received \$284,051 and \$260,485, respectively, from both the City and County.

NOTE 10: 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, 2020 and 2019, the Authority contributed \$22,004 and \$20,544, respectively, to the plan.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
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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. The Authority has incurred \$246,040 and \$196,680 of costs related to this project as of December 31, 2020 and 2019, respectively.

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. The Authority incurred \$1,000,000 of costs related to this project as of December 31, 2020.

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 project was completed in 2019 and the Authority incurred \$278,072 of costs related to this project during the year ended December 31, 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 incurred \$200 and \$63,515 of costs related to this project as of December 31, 2020 and 2019, respectively, and sold the property to the City on January 31, 2020 for \$64,000.

NOTE 12: 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 13: 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. The total of these transactions for the years ended December 31, 2020 and 2019 were \$6,172 and \$6,438, respectively. In addition, in 2020 the Authority sold a building to a relative of the Authority for \$80,000.

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NOTE 14: COVID-19

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. Due to the pandemic, the Authority closed its offices and the museums to the public in March until mid-June, but employees continued working remotely. There has been very little financial impact on the Authority thus far due to the virus. The Authority continues to monitor its operations, liquidity, and capital resources to minimize the current and future impact of this unprecedented situation.

NOTE 15: SUBSEQUENT EVENTS

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2020 through August 31, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FORT CHAFFEE REDEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local government contributions	\$ 248,000	\$ 248,000	\$ 284,051	\$ 36,051
Historic district income	15,000	15,000	3,442	(11,558)
Lease income	155,000	155,000	163,693	8,693
Mowing income	3,000	3,000	3,280	280
Property sales	3,600,000	3,600,000	2,048,092	(1,551,908)
Rail car storage	70,000	70,000	53,039	(16,961)
Interest income	-	-	20,662	20,662
In-kind income	-	-	55,088	55,088
Other income	-	-	16,326	16,326
Total Revenues	4,091,000	4,091,000	2,647,673	(1,443,327)
Cost of Goods Sold	380	380	68	312
Gross Profit	4,090,620	4,090,620	2,647,605	(1,443,015)
Expenditures				
Advertising and marketing	90,000	90,000	57,375	32,625
Automobile expenses	14,650	14,650	14,459	191
Closing costs	46,800	46,800	19,922	26,878
Commissions	309,600	309,600	179,230	130,370
Conferences	7,000	7,000	3,235	3,765
Construction and development	1,800,000	1,800,000	1,342,724	457,276
Fuel	6,000	6,000	4,475	1,525
Grant expenditures	-	-	17,730	(17,730)
Insurance	196,000	196,000	195,089	911
Maintenance and repairs	86,000	86,000	98,142	(12,142)
Miscellaneous	6,700	6,700	3,838	2,862
Office expenses	23,150	23,150	22,871	279
Outside contracting	121,500	121,500	85,963	35,537
Payroll taxes	47,500	47,500	42,347	5,153
Professional fees	71,500	71,500	62,246	9,254
Security	2,500	2,500	2,371	129
Training and reference material	1,500	1,500	758	742
Travel	10,000	10,000	-	10,000
Utilities	51,000	51,000	38,687	12,313
Wages and employee benefits	664,417	664,417	647,695	16,722
Capital expenditures and demolition	475,000	475,000	631,907	(156,907)
Total Expenditures	4,030,817	4,030,817	3,471,064	559,753
Excess of Revenues Over Expenditures	\$ 59,803	\$ 59,803	(823,459)	\$ (883,262)
Fund Balance Beginning of Year			16,357,493	
Reclassifications			(525,834)	
Fund Balance End of Year			\$ 15,008,200	

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, 2020, 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 31, 2021, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. 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 31, 2021