

**FORT CHAFFEE  
REDEVELOPMENT AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**



**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**DECEMBER 31, 2021**

**CONTENTS**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b> .....	1-3
<b>Basic Financial Statements</b>	
Statement of Net Position and Governmental Fund Balance Sheet.....	4
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.....	5-6
Notes to Financial Statements.....	7-16
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Special Revenue Fund.....	17
<b>Additional Required Report</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	18-19



## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Chaffee Redevelopment Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Fort Chaffee Redevelopment Authority's basic financial statements as listed in the table of contents.

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 the Fort Chaffee Redevelopment Authority as of December 31, 2021, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fort Chaffee Redevelopment Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fort Chaffee Redevelopment Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fort Chaffee Redevelopment Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fort Chaffee Redevelopment Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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 statement 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 November 8, 2022, on our consideration of the 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 solely 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 effectiveness of the Fort Chaffee Redevelopment Authority’s 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, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**November 8, 2022**

***BASIC FINANCIAL STATEMENTS***

# FORT CHAFFEE REDEVELOPMENT AUTHORITY

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

AS OF DECEMBER 31, 2021

	(Memorandum Only)			
			2020	
	Governmental Fund	Adjustments	Statement of Net Position	Statement of Net Position
<b>Assets</b>				
Cash and cash equivalents	\$ 6,413,371	\$ -	\$ 6,413,371	\$ 2,798,133
Accounts receivable	81,078	-	81,078	34,092
Prepaid expenses	20,200	-	20,200	30,200
Inventory	502	-	502	574
Interest receivable	-	-	-	-
Capital assets				
Land available for sale	7,182,571	-	7,182,571	8,568,379
Buildings available for sale net of accumulated depreciation)	762,346	(511,408) ①	250,938	276,601
Other capital assets (net of accumulated depreciation)	2,254,021	(773,754) ①	1,480,267	1,491,878
Land improvements	531,518	-	531,518	523,547
<b>Total Assets</b>	<b>\$ 17,245,607</b>	<b>\$ (1,285,162)</b>	<b>\$ 15,960,445</b>	<b>\$ 13,723,404</b>
<b>Liabilities</b>				
Accounts payable	\$ 19,042	\$ -	\$ 19,042	\$ 95,685
Other accrued expenses	20,796	-	20,796	20,893
Lease deposits and prepayments	4,812	-	4,812	29,511
<b>Total Liabilities</b>	<b>44,650</b>	<b>-</b>	<b>44,650</b>	<b>146,089</b>
<b>Fund equity:</b>				
Contributed capital	7,944,917	(7,944,917)	-	-
Investment in fixed assets	2,785,539	(2,785,539)	-	-
<b>Fund balances:</b>				
Nonspendable	20,702	(20,702)	-	-
Spendable:				
Unassigned	6,449,799	(6,449,799)	-	-
<b>Total Fund Balances</b>	<b>17,200,957</b>	<b>(17,200,957)</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,245,607</b>			
<b>Net Position:</b>				
Net investment in capital assets		9,445,294	9,445,294	10,860,405
Unrestricted		6,470,501	6,470,501	2,716,910
<b>Total Net Position</b>		<b>15,915,795</b>	<b>15,915,795</b>	<b>13,577,315</b>
<b>Total Liabilities and Net Position</b>		<b>\$ (1,285,162)</b>	<b>\$ 15,960,445</b>	<b>\$ 13,723,404</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, 2021

	(Memorandum Only)			
			2020	
	Governmental Fund	Adjustments	Statement of Activities	Statement of Activities
<b>Revenues</b>				
Local government contributions	\$ 184,380	\$ -	\$ 184,380	\$ 284,051
Historic district income	36,748	-	36,748	3,442
Lease income	134,465	-	134,465	163,693
Mowing income	-	-	-	3,280
Property sales	5,189,084	(5,189,084) ①	-	-
Contract amendment fees	104,101	-	104,101	4,200
Rail car storage	23,096	-	23,096	53,039
Interest income	5,106	-	5,106	20,662
Gain (loss) on sale of capital assets	-	4,974,142 ①	4,974,142	1,932,776
Sale of other assets	18,663	-	18,663	-
Employee Retention Credits	43,656	-	43,656	-
In-kind income	-	-	-	55,088
Insurance proceeds	36,346	-	36,346	-
Other income	2,495	-	2,495	12,126
<b>Total Revenues</b>	<b>5,778,140</b>	<b>(214,942)</b>	<b>5,563,198</b>	<b>2,532,357</b>
<b>Cost of Goods Sold</b>	<b>72</b>	<b>-</b>	<b>72</b>	<b>68</b>
<b>Gross Profit</b>	<b>5,778,068</b>	<b>(214,942)</b>	<b>5,563,126</b>	<b>2,532,289</b>
<b>Expenditures</b>				
Advertising and marketing	65,170	-	65,170	57,375
Automobile expenses	13,215	-	13,215	14,459
Closing costs	25,551	-	25,551	19,922
Commissions	360,554	-	360,554	179,230
Conferences	4,878	-	4,878	3,235
Construction and development	90,672	-	90,672	1,342,724
Depreciation	-	146,364 ①	146,364	162,974
Fuel	494	-	494	4,475
Grant expenditures	-	-	-	17,730
Insurance	154,640	-	154,640	195,089
Maintenance and repairs	161,062	-	161,062	98,142
Miscellaneous	7,788	-	7,788	3,838
Office expenses	20,023	-	20,023	22,871
Outside contracting	86,571	-	86,571	85,963
Payroll taxes	36,917	-	36,917	42,347
Professional fees	47,250	-	47,250	62,246
Security	1,449	-	1,449	2,371
Training and reference material	325	-	325	758
Travel	2,627	-	2,627	-
Utilities	40,046	-	40,046	38,687
Wages and employee benefits	544,241	-	544,241	647,695
Capital expenditures and demolition	361,004	(361,004) ①	-	-
<b>Total Expenditures</b>	<b>2,024,477</b>	<b>(214,640)</b>	<b>1,809,837</b>	<b>3,002,131</b>
<b>Excess of Revenues Over (Under) Expenditure:</b>	<b>3,753,591</b>	<b>(302)</b>	<b>3,753,289</b>	<b>(469,842)</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, 2021

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2020 Statement of Activities
<b>Excess of Revenues Over (Under) Expenditure:</b>	3,753,591	(302)	3,753,289	(469,842)
<b>Fund Balance/Net Position Beginning of Year</b>	15,008,200	(1,430,885)	13,577,315	14,976,777
<b>Reclassification:</b>				
Capital expenditures and demolition	361,004	(361,004)	-	-
Cost of capital assets sold	(507,029)	507,029	-	-
Change due to sales/transfers of contributed assets	(1,414,809)	-	(1,414,809)	(929,620)
<b>Fund Balance/Net Position End of Year</b>	<b>\$ 17,200,957</b>	<b>\$ (1,285,162)</b>	<b>\$ 15,915,795</b>	<b>\$ 13,577,315</b>

- 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, 2021**

**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:

**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**  
**DECEMBER 31, 2021**

***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	5-10 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 \$17,786 and \$16,827 accrued for compensated absences at December 31, 2021 and 2020, respectively.

**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

***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**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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, 2021, the Authority had uninsured deposits of \$1,605,757. 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 the proceeds from the sale of property.

**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 4: CHANGES IN CAPITAL ASSETS**

During the year ended December 31, 2021, changes in capital assets were as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,568,379	\$ -	\$ (1,385,808)	\$ 7,182,571
Land improvements	523,547	15,000	(7,029)	531,518
Construction in progress	-	-	-	-
	<u>\$ 9,091,926</u>	<u>\$ 15,000</u>	<u>\$ (1,392,837)</u>	<u>\$ 7,714,089</u>
Other capital assets:				
Donated buildings	\$ 791,346	\$ -	\$ (29,000)	\$ 762,346
Buildings	8,065	-	-	8,065
Landscaping/site work	215,403	110,605	-	326,008
Office equipment	59,390	2,016	(6,215)	55,191
Furniture and fixtures	80,894	-	(565)	80,329
Remodeling and furnishings	923,723	-	(60,598)	863,125
Parking lots	191,146	57,500	(53,524)	195,122
Railroad improvements	338,232	-	-	338,232
Street improvements	79,481	154,830	(85,951)	148,360
Vehicles	71,231	-	(61,822)	9,409
Equipment	440,453	21,053	(231,326)	230,180
Total other capital assets at cost or FMV	<u>\$ 3,199,364</u>	<u>\$ 346,004</u>	<u>\$ (529,001)</u>	<u>\$ 3,016,367</u>
Less accumulated depreciation for:				
Donated buildings	\$ 514,745	\$ 25,663	\$ (29,000)	\$ 511,408
Buildings	3,578	403	-	3,981
Landscaping/site work	44,208	9,812	-	54,020
Office equipment	46,032	4,703	(6,216)	44,519
Furniture and fixtures	53,987	4,380	(565)	57,802
Remodeling and furnishings	275,864	40,170	(19,388)	296,646
Parking lots	59,730	19,321	(20,518)	58,533
Railroad improvements	71,316	11,274	-	82,590
Street improvements	1,530	2,754	(4,284)	-
Vehicles	59,613	2,348	(52,553)	9,408
Equipment	300,282	25,536	(159,563)	166,255
Total accumulated depreciation	<u>\$ 1,430,885</u>	<u>\$ 146,364</u>	<u>\$ (292,087)</u>	<u>\$ 1,285,162</u>
Capital assets being depreciated, net	<u>\$ 1,768,479</u>	<u>\$ 199,640</u>	<u>\$ (236,914)</u>	<u>\$ 1,731,205</u>
Governmental activities capital assets, net	<u>\$ 10,860,405</u>	<u>\$ 214,640</u>	<u>\$ (1,629,751)</u>	<u>\$ 9,445,294</u>

**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 5: REDEVELOPMENT SERVICE AGREEMENTS**

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, 2021 and 2020, the Authority received \$184,380 and \$284,051, respectively, from both the City and County

**NOTE 6: CONTRACT AMENDMENT FEES**

The Authority receives fees for consideration to amend contracts. The majority of fees collected are granting developers extensions of time to meet contract deliverables. The Authority received \$104,101 and \$4,200 in contract amendment fees during the years ended December 31, 2021 and 2020, respectively. Fees received during the year ended December 31, 2021 included \$100,000 from one developer who failed to request an extension and therefore was in breach of contract. The Authority received the \$100,000 in consideration of reversing its decision to repurchase the property, and for granting an extension of time to the developer to meet contract requirements.

**NOTE 7: 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 Authority incurred final matching costs totaling \$36,093 related to this project during the year ended December 31, 2020 and the grant was closed out in 2021.

**NOTE 8: EMPLOYEE RETENTION CREDITS**

During the year ended December 31, 2021, the Authority received \$43,656 from the Internal Revenue Service for Employee Retention Credits (ERC). Under the CARES Act, certain organizations can apply for refundable ERC's against the employer share of Social Security taxes equal to a specific % of the qualified wages paid to employees for certain periods in 2020 and 2021. These ERC's are offered to encourage employers to keep employees on payroll.

**NOTE 9: 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 was owned by the Authority. The Authority contributed \$18,362 towards the cost of the project. For the year ended December 31, 2021 there was no in-kind income received.



**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 10: CONTINGENCIES**

Certain financial awards from federal, state, and local entities in the form of grants are subject to special audit. Such audits could result in claims against the Authority for disallowed costs or noncompliance with grant restrictions. No provisions have been made for any liabilities that may arise from such audits since the amounts cannot be determined at this date, 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, 2021. 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 11: 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, 2021 is \$1,564,817 and \$949,819, respectively. Rental income provided by leases was \$134,465 and \$163,693 during the years ended December 31, 2021 and 2020, respectively.

**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 12: 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, 2021 and 2020, the Authority contributed \$20,266 and \$22,004, respectively, to the plan.

**NOTE 13: 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 did not incur any costs related to this project during the year ended December 31, 2021, but incurred \$246,040 of costs during the year ended December 31, 2020. Phases 2 and 3 of the project have yet to be complete.

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 did not incur any costs related to this project during the year ended December 31, 2021, but incurred \$1,000,000 of costs during the year ended December 31, 2020. The project is ongoing.

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. The project was completed in 2020 for a total cost of \$63,715 and, per the agreement, once finished the Authority sold the property to the City for \$64,000.

The Authority entered into an agreement dated May 20, 2021, with the Arkansas Colleges of Health Education (ACHE) to develop and expand public trails on land that was gifted to ACHE by the Authority. The Authority has agreed to spend no more than \$50,000 on this project. The Authority did not incur any costs related to this project during the year ended December 31, 2021.

**FORT CHAFFEE REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 14: 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. The Authority received insurance proceeds totaling \$36,346 during the year ended December 31, 2021, for water damage to three buildings caused by pipes bursting in frigid temperatures.

**NOTE 15: 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 telephone and internet. The total of these transactions for the years ended December 31, 2021 and 2020 were \$519 and \$6,172, respectively. In addition, in 2020 the Authority sold a building to a relative of the Authority for \$80,000.

**NOTE 16: COVID-19**

The Coronavirus Disease 2019 (COVID), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruption in normal business operations everywhere.

Although the pandemic did cause a temporary office and museum closure and employees working remotely in 2020, the real estate market has boomed. Real estate sales for the Authority were very strong for both 2021 and 2020.

The Authority continues to monitor its operations, liquidity, and capital resources to minimize any impact of this unprecedented situation.

**NOTE 17: SUBSEQUENT EVENTS**

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2021 through November 8, 2022, the date the financial statements were available to be issued. Subsequent to year end, the Authority replaced the roofs on three buildings which had been damaged in a storm. The cost to replace these roofs totaled approximately \$164,000. The Authority has filed a claim with the insurance company for reimbursement plus additional funding for roofs on two additional buildings that sustained damage.

***REQUIRED SUPPLEMENTARY INFORMATION***

# FORT CHAFFEE REDEVELOPMENT AUTHORITY

## BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Local government contributions	\$ 173,300	\$ 173,300	\$ 184,380	\$ 11,080
Historic district income	15,000	15,000	36,748	21,748
Lease income	138,000	138,000	134,465	(3,535)
Property sales	2,500,000	2,500,000	5,189,084	2,689,084
Contract amendment fees	-	-	104,101	104,101
Rail car storage	60,000	60,000	23,096	(36,904)
Interest income	-	-	5,106	5,106
Sale of other assets	-	-	18,663	18,663
Employee Retention Credits	-	-	43,656	43,656
Insurance proceeds	-	-	36,346	36,346
Other income	-	-	2,495	2,495
<b>Total Revenues</b>	<b>2,886,300</b>	<b>2,886,300</b>	<b>5,778,140</b>	<b>2,891,840</b>
<b>Cost of Goods Sold</b>	<b>330</b>	<b>330</b>	<b>72</b>	<b>258</b>
<b>Gross Profit</b>	<b>2,885,970</b>	<b>2,885,970</b>	<b>5,778,068</b>	<b>2,892,098</b>
<b>Expenditures</b>				
Advertising and marketing	50,000	50,000	65,170	(15,170)
Automobile expenses	14,600	14,600	13,215	1,385
Closing costs	30,000	30,000	25,551	4,449
Commissions	192,500	192,500	360,554	(168,054)
Conferences	5,000	5,000	4,878	122
Construction and development	1,150,000	1,150,000	90,672	1,059,328
Fuel	5,500	5,500	494	5,006
Insurance	200,000	200,000	154,640	45,360
Maintenance and repairs	86,000	86,000	161,062	(75,062)
Miscellaneous	8,600	8,600	7,788	812
Office expenses	21,200	21,200	20,023	1,177
Outside contracting	86,000	86,000	86,571	(571)
Payroll taxes	43,300	43,300	36,917	6,383
Professional fees	57,500	57,500	47,250	10,250
Security	2,500	2,500	1,449	1,051
Training and reference material	1,500	1,500	325	1,175
Travel	5,000	5,000	2,627	2,373
Utilities	36,000	36,000	40,046	(4,046)
Wages and employee benefits	603,800	603,800	544,241	59,559
Capital expenditures and demolition	440,000	440,000	361,004	78,996
<b>Total Expenditures</b>	<b>3,039,000</b>	<b>3,039,000</b>	<b>2,024,477</b>	<b>1,014,523</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ (153,030)</b>	<b>\$ (153,030)</b>	<b>3,753,591</b>	<b>\$ 3,906,621</b>
<b>Fund Balance Beginning of Year</b>			15,008,200	
<b>Reclassifications</b>			(1,560,834)	
<b>Fund Balance End of Year</b>			<b>\$ 17,200,957</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 Auditor's Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Government Auditing Standards***

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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, 2021, 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 November 8, 2022, which was modified to reflect the omission of the management's discussion and analysis.

**Report on 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 or significant deficiencies may exist that were not identified.

### **Report on 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**  
**November 8, 2022**