

**FORT CHAFFEE
REDEVELOPMENT AUTHORITY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022**



FORT CHAFFEE REDEVELOPMENT AUTHORITY
DECEMBER 31, 2022

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Independent Auditor's Report

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, 2022, 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, 2022, 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 20 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 August 17, 2023, 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
August 17, 2023

BASIC FINANCIAL STATEMENTS

FORT CHAFFEE REDEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

AS OF DECEMBER 31, 2022

	Governmental Fund		Adjustments	Statement of Net Position	(Memorandum Only) 2021 Statement of Net Position
Assets					
Cash and cash equivalents	\$	1,655,594	\$ -	\$ 1,655,594	\$ 5,412,898
Investments		4,717,307	-	4,717,307	1,000,473
Accounts receivable		53,458	-	53,458	81,078
Interest receivable		10,823	-	10,823	-
Prepaid expenses		18,100	-	18,100	20,200
Inventory		498	-	498	502
Capital assets					
Land available for sale		8,495,393	-	8,495,393	7,182,571
Buildings available for sale net of accumulated depreciation)		618,117	(394,769) ①	223,348	250,938
Other capital assets (net of accumulated depreciation)		2,238,697	(692,900) ①	1,545,797	1,480,267
Land improvements		553,165	-	553,165	531,518
Total Assets	\$	18,361,152	\$ (1,087,669)	\$ 17,273,483	\$ 15,960,445
Liabilities					
Accounts payable	\$	37,446	\$ -	\$ 37,446	\$ 19,042
Payroll taxes and related withholdings		13,866	-	13,866	2,304
Other accrued expenses		30,358	-	30,358	18,492
Lease deposits and prepayments		4,056	-	4,056	4,812
Total Liabilities		85,726	-	85,726	44,650
Fund equity:					
Contributed capital		9,113,510	(9,113,510)	-	-
Investment in fixed assets		2,791,862	(2,791,862)	-	-
Fund balances:					
Nonspendable		18,598	(18,598)	-	-
Spendable:					
Unassigned		6,351,456	(6,351,456)	-	-
Total Fund Balances		18,275,426	(18,275,426)	-	-
Total Liabilities and Fund Balances	\$	18,361,152			
Net Position:					
Net investment in capital assets			10,817,703	10,817,703	9,445,294
Unrestricted			6,370,054	6,370,054	6,470,501
Total Net Position			17,187,757	17,187,757	15,915,795
Total Liabilities and Net Position	\$		(1,087,669)	\$ 17,273,483	\$ 15,960,445

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, 2022

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2021 Statement of Activities
Revenues				
Local government contributions	\$ 80,357	\$ -	\$ 80,357	\$ 184,380
Historic district income	57,923	-	57,923	36,748
Lease income	37,111	-	37,111	134,465
Property sales	3,795,920	(3,795,920) ①	-	-
Contract amendment fees	103,200	-	103,200	104,101
Rail car storage	4,343	-	4,343	23,096
Interest income	37,288	-	37,288	5,106
Realized investment gains	3,924	-	3,924	-
Unrealized investment gains	13,673	-	13,673	-
Gain on sale of capital assets	-	3,719,553 ①	3,719,553	4,974,142
Sale of other assets	-	-	-	18,663
Employee Retention Credits	-	-	-	43,656
Land donation	25,000	-	25,000	-
Insurance proceeds	-	-	-	36,346
Other income	11,456	-	11,456	2,495
Total Revenues	4,170,195	(76,367)	4,093,828	5,563,198
Cost of Goods Sold	236	-	236	72
Gross Profit	4,169,959	(76,367)	4,093,592	5,563,126
Expenditures				
Advertising and marketing	112,459	-	112,459	65,170
Automobile expenses	13,871	-	13,871	13,709
Closing costs	18,756	-	18,756	25,551
Commissions	178,945	-	178,945	360,554
Construction and development	152,710	-	152,710	90,672
Depreciation	-	122,907 ①	122,907	146,364
Dues and registration fees	4,490	-	4,490	5,655
Insurance	62,414	-	62,414	70,097
Maintenance and repairs	187,034	-	187,034	161,062
Meeting expenses	5,144	-	5,144	2,737
Miscellaneous	995	-	995	4,274
Office expenses	20,984	-	20,984	20,023
Outside contracting	142,388	-	142,388	86,571
Payroll taxes	37,325	-	37,325	36,917
Professional fees	82,414	-	82,414	47,250
Security	2,931	-	2,931	1,449
Training and reference material	470	-	470	325
Travel	295	-	295	2,627
Utilities	50,982	-	50,982	40,046
Wages and employee benefits	701,984	-	701,984	628,784
Capital expenditures and demolition	2,493,815	(2,493,815) ①	-	-
Total Expenditures	4,270,406	(2,370,908)	1,899,498	1,809,837
Excess of Revenues Over (Under) Expenditures	(100,447)	2,294,541	2,194,094	3,753,289

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, 2022

	Governmental Fund	Adjustments	Statement of Activities	(Memorandum Only) 2021 Statement of Activities
Excess of Revenues Over (Under) Expenditures	(100,447)	2,294,541	2,194,094	3,753,289
Fund Balance/Net Position Beginning of Year	17,200,957	(1,285,162)	15,915,795	13,577,315
Reclassification:				
Capital expenditures and demolition	2,493,815	(2,493,815)	-	-
Cost of capital assets sold	(396,767)	396,767	-	-
Change due to sales/transfers of contributed assets	(922,132)	-	(922,132)	(1,414,809)
Fund Balance/Net Position End of Year	\$ 18,275,426	\$ (1,087,669)	\$ 17,187,757	\$ 15,915,795

- 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, 2022

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.

Investments

Investments are reported at fair value in the Statement of Net Position. Changes in fair value are reported as unrealized gains(losses) in the Statement of Activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are recorded in the period in which the securities are sold. Interest and dividends are recorded when earned.

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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.

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. The cost of inventory is recognized as an expense when used (consumption 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.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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 \$22,674 and \$17,786 accrued for compensated absences at December 31, 2022 and 2021, respectively.

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.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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.

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.

Lease Receivable

The Authority determines if an arrangement contains a lease at the inception of the contract. The lease receivable is measured at the present value of the lease payments that are expected to be received during the lease term.

Cancellable and short-term leases with a term of twelve months or less are not reflected on the Statement of Net Position. Rental revenues are recognized on a straight-line basis over the lease term.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure if certain changes occur that are expected to significantly affect the lease receivable and deferred inflow of resources.

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.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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New Accounting Pronouncements

The Government Accounting Standards Board (GASB) issued the following new accounting standards that are relevant to the Authority:

GASB Statement No.87, *Leases*, became effective for fiscal years beginning after June 15, 2021. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority implemented this standard during the year (see Note 8).

NOTE 2: DEPOSITS IN FINANCIAL INSTITUTIONS

Cash

The Authority maintains its operating cash 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, 2022, the Authority had uninsured deposits of \$1,011,706. The Authority does not believe that there is any significant credit risk nor has the Authority experienced any losses in such accounts.

Investments

The Authority maintains investment accounts with financial institutions that contain the following:

As of December 31, 2022	Cost	Market	Weighted Avg Maturity (in days)
Certificates of Deposit	\$ 1,700,009	\$ 1,699,935	149
Treasury Bills	3,003,699	3,017,372	121
Total Investments	\$ 4,703,708	\$ 4,717,307	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All of the Authority's investments mature within one year.

Credit Risk

Credit risk is that the issuer of the counterparty to an investment will not fulfill its obligations. At December 31, 2022, the Authority has \$3,017,372 invested in United States Treasury Bills. These investments are generally considered to be risk-free as they have the backing of the government. The Authority also has \$1,699,935 invested in certificates of deposit at December 31, 2022, all of which are FDIC insured.

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NOTES TO FINANCIAL STATEMENTS
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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.

Fair Value Measurement

The Authority's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

- Level 1 – Quoted prices for identical investments in active markets
- Level 2 – Quoted prices for identical investments in markets that are not active
- Level 3 – Unobservable inputs

The following represents the Authority's investments that are measured at fair value on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 1,699,935	\$ -	\$ -	\$ 1,699,935
Treasury Bills	3,017,372	-	-	3,017,372
Total	\$ 4,717,307	\$ -	\$ -	\$ 4,717,307

Investments are valued at market value as reported by the external fund managers.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

As of December 31, 2022	
Redevelopment service agreement	\$ 40,179
Insurance refund	5,651
Reimbursement	4,500
Rent	1,894
Other	1,234
Total Accounts Receivable	\$ 53,458

NOTE 4: 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, 2022

NOTE 5: CHANGES IN CAPITAL ASSETS

During the year ended December 31, 2022, changes in capital assets were as follows:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2022</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,182,571	\$2,090,725	\$ (777,903)	\$ 8,495,393
Land improvements	531,518	57,500	(35,853)	553,165
Construction in progress	-	-	-	-
	<u>\$ 7,714,089</u>	<u>\$2,148,225</u>	<u>\$ (813,756)</u>	<u>\$ 9,048,558</u>
Other capital assets:				
Donated buildings	\$ 762,346	\$ -	\$ (144,229)	\$ 618,117
Buildings	8,065	-	-	8,065
Landscaping/site work	326,008	40,781	(51,126)	315,663
Office equipment	55,191	12,177	(12,633)	54,735
Furniture and fixtures	80,329	4,371	-	84,700
Remodeling and furnishings	863,125	288,011	(185,957)	965,179
Parking lots	195,122	250	(64,609)	130,763
Railroad improvements	338,232	-	-	338,232
Street improvements	148,360	-	-	148,360
Vehicles	9,409	-	-	9,409
Equipment	<u>230,180</u>	<u>-</u>	<u>(46,589)</u>	<u>183,591</u>
Total other capital assets at cost or FMV	<u>\$ 3,016,367</u>	<u>\$ 345,590</u>	<u>\$ (505,143)</u>	<u>\$ 2,856,814</u>
Less accumulated depreciation for:				
Donated buildings	\$ 511,408	\$ 20,283	\$ (136,922)	\$ 394,769
Buildings	3,981	403	-	4,384
Landscaping/site work	54,020	10,774	(3,723)	61,071
Office equipment	44,519	4,533	(12,632)	36,420
Furniture and fixtures	57,802	4,636	-	62,438
Remodeling and furnishings	296,646	38,088	(90,323)	244,411
Parking lots	58,533	11,998	(33,853)	36,678
Railroad improvements	82,590	11,275	-	93,865
Street improvements	-	7,418	-	7,418
Vehicles	9,408	1	-	9,409
Equipment	<u>166,255</u>	<u>13,498</u>	<u>(42,947)</u>	<u>136,806</u>
Total accumulated depreciation	<u>\$ 1,285,162</u>	<u>\$ 122,907</u>	<u>\$ (320,400)</u>	<u>\$ 1,087,669</u>
Capital assets being depreciated, net	<u>\$ 1,731,205</u>	<u>\$ 222,683</u>	<u>\$ (184,743)</u>	<u>\$ 1,769,145</u>
Governmental activities capital assets, net	<u>\$ 9,445,294</u>	<u>\$2,370,908</u>	<u>\$ (998,499)</u>	<u>\$ 10,817,703</u>

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 6: 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. The last payment for the \$500,000 agreement was received in 2021. During the years ended December 31, 2022 and 2021, the Authority received \$80,357 and \$184,380, respectively, from both the City and County

NOTE 7: 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 \$103,200 and \$104,101 in contract amendment fees during the years ended December 31, 2022 and 2021, respectively. Fees received during the years ended December 31, 2022 and 2021 included \$100,000 from one developer who was in breach of contract. The Authority received the \$100,000 in consideration of reversing its decision to repurchase the property, and for granting extensions of time to the developer to meet contract requirements.

NOTE 8: LEASES

The Authority leases buildings to several area businesses and organizations under both cancelable and non-cancelable leases. Most lease terms are for one year with rent due monthly and cancellable without penalty if notice of 30 days is provided.

The Authority has one long-term non-cancelable lease that expires on September 30, 2026. Because this is a contract that conveys the control of the right-to-use a nonfinancial asset of the Authority for a period of time in an exchange transaction, the lease falls under the scope of GASB No. 87, *Leases*. Under the lease standard, the Authority would need to record a lease receivable and related deferred inflows of resources for the remaining contract period, which is approximately four years at December 31, 2022. Total rental income remaining on the lease term at December 31, 2022 is \$2,250. As this amount is not material to the financial statements, the Authority will not record the lease receivable or deferred inflow of resources in the accompanying financial statements.

Future minimum rentals to be received for this lease at December 31, 2022 are as follows:

For the Years Ending December 31,	
2023	\$ 600
2024	600
2025	600
2026	450
Total	\$ 2,250

FORT CHAFFEE REDEVELOPMENT AUTHORITY
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Under GASB Statement No. 87, revenues for short term leases are recognized straight-line over the lease term.

Rental income provided by leases was \$37,111 and \$134,465 during the years ended December 31, 2022 and 2021, respectively.

NOTE 9: 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 10: LAND DONATION

The Authority received in-kind income totaling \$25,000 during the year ended December 31, 2022, for 5 acres of land returned from the City of Barling. The Authority originally deeded this property to the City back in 2003 for a municipal complex. For the year ended December 31, 2021 there was no in-kind income received.

NOTE 11: 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

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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, 2022. 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 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, 2022 and 2021, the Authority contributed \$35,374 and \$20,226, 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 years ended December 31, 2022 or 2021. As of December 31, 2022, the Authority has incurred \$246,040 of total costs. 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 years ended December 31, 2022 or 2021. As of December 31, 2022, the Authority has incurred \$1,000,000 in total costs for the project. The project is ongoing.

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 contribute no more than \$50,000 should ACHE proceed with the project. The Authority did not incur any costs related to this project during the years ended December 31, 2022 or 2021.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
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In May 2022, the Authority signed a two-year lease for office space commencing on the date of possession, which is anticipated to be in 2024. The Authority will pay \$3,875 per month plus an additional \$150 for common area maintenance, water, sewer and trash services. As the Authority did not have the right to use the asset at December 31, 2022, no right-to-use leased asset or lease liability has been recorded in the accompanying financial statements.

The Authority entered into an agreement dated October 31, 2022, with the City of Barling and a property developer for the development of certain infrastructure improvements. Under the contract the Authority is to deposit \$535,000 into escrow to assist with these improvements, which are estimated to cost a total of \$1,263,923. If the developer fails to complete the infrastructure improvements by the completion date, the escrow funds will be returned to the Authority. Subsequent to year-end, on January 12, 2023, the Authority deposited the funds into escrow.

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.

In 2020, a storm caused damage to five of the Authority's buildings. Two of the buildings were sold prior to making the repairs. The Authority replaced the roofs on the remaining three buildings in September 2022 for \$164,615. Subsequent to year-end, the Authority received \$240,000 for the damages.

In October 2022, a hail storm caused damage to three different buildings. Subsequent to year-end, in May 2023, the Authority replaced the roofs for \$176,156 and in June 2023, received insurance proceeds for the repairs totaling \$34,794.

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

NOTE 15: RELATED PARTY TRANSACTIONS

The Authority previously conducted business with some companies which are partly owned by or related to members of the Authority and/or Board of Trustees. These services included telephone and internet. There were no transactions with these related parties during the year-ended December 31, 2022. The total of these transactions for the year ended December 31, 2021 was \$519.

FORT CHAFFEE REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 16: SUBSEQUENT EVENTS

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2022 through August 17, 2023, the date the financial statements were available to be issued.

In May 2023, the Authority entered into an agreement with the City of Fort Smith and an area property owner for a street overlay, railroad crossing replacement, and drainage work on Ward Avenue. Under the agreement, the parties agree to share in the cost of expenses, estimated at \$742,959. The Authority will manage the construction of the project and pay all invoices. The City of Fort Smith and the property owner will reimburse the Authority for their share of the expenses. The Authority's estimated share of the project cost is \$333,624.

REQUIRED SUPPLEMENTARY INFORMATION

FORT CHAFFEE REDEVELOPMENT AUTHORITY

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local government contributions	\$ 64,000	\$ 64,000	\$ 80,357	\$ 16,357
Historic district income	40,000	40,000	57,923	17,923
Lease income	34,000	34,000	37,111	3,111
Property sales	2,500,000	2,500,000	3,795,920	1,295,920
Contract amendment fees	-	-	103,200	103,200
Rail car storage	30,000	30,000	4,343	(25,657)
Interest income	-	-	37,288	37,288
Realized investment gains	-	-	3,924	3,924
Unrealized investment gains	-	-	13,673	13,673
Land donation	-	-	25,000	25,000
Other income	-	-	11,456	11,456
Total Revenues	2,668,000	2,668,000	4,170,195	1,502,195
Cost of Goods Sold	125	125	236	(111)
Gross Profit	2,667,875	2,667,875	4,169,959	1,502,084
Expenditures				
Advertising and marketing	84,000	84,000	112,459	(28,459)
Automobile expenses	13,500	13,500	13,871	(371)
Closing costs	20,000	20,000	18,756	1,244
Commissions	150,000	150,000	178,945	(28,945)
Construction and development	1,000,000	1,000,000	152,710	847,290
Dues and registration fees	8,500	8,500	4,490	4,010
Insurance	67,000	67,000	62,414	4,586
Maintenance and repairs	154,500	154,500	187,034	(32,534)
Meeting expenses	2,500	2,500	5,144	(2,644)
Miscellaneous	2,050	2,050	995	1,055
Office expenses	21,650	21,650	20,984	666
Outside contracting	89,300	89,300	142,388	(53,088)
Payroll taxes	36,225	36,225	37,325	(1,100)
Professional fees	59,000	59,000	82,414	(23,414)
Security	2,500	2,500	2,931	(431)
Training and reference material	1,000	1,000	470	530
Travel	7,500	7,500	295	7,205
Utilities	42,000	42,000	50,982	(8,982)
Wages and employee benefits	664,115	664,115	701,984	(37,869)
Capital expenditures and demolition	995,000	995,000	2,493,815	(1,498,815)
Total Expenditures	3,420,340	3,420,340	4,270,406	(850,066)
Excess of Revenues Over Expenditures	\$ (752,465)	\$ (752,465)	(100,447)	\$ 652,018
Fund Balance Beginning of Year			17,200,957	
Reclassifications			1,174,916	
Fund Balance End of Year			\$ 18,275,426	

Budget and Budgetary Accounting

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

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fort Chaffee Redevelopment Authority, as of and for the year ended December 31, 2022, 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 17, 2023, 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
August 17, 2023