

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas

Annual Financial Report

December 31, 2021 and 2020

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
December 31, 2021 and 2020

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February 17, 2022

To the Public:

Enclosed herein is the Annual Financial Report for the Fort Smith Regional Airport for the fiscal year ended December 31, 2021 with a comparison to fiscal year ended December 31, 2020. Responsibility for the accuracy of the data, completeness and fairness of the presentation, including all disclosures, rests with the management of the airport. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the airport. All disclosures necessary to enable the reader to gain an understanding of the airport's financial activities have been included.

Accounting principles generally accepted in the United States of America (GAAP) require management to provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditor.

The Organization

The Fort Smith Regional Airport is governed by the Fort Smith Airport Commission, which was established by the City of Fort Smith, Arkansas on February 15, 1977, pursuant to AR Code §14-359-104. Consisting of seven (7) members, the Commission meets at least once each month in open session. The Mayor, with confirmation from the City of Fort Smith Board of Directors, appoints members to the Commission with at least one appointment annually in June. Commission members serve without compensation for a term of five (5) years. The Airport Director serves at the pleasure of the Commission as the chief executive responsible for the operation of the airport. The Airport Director oversees a staff of fourteen full-time employees and two part-time employees.

The Airport

The Fort Smith Regional Airport is a key element of the transportation system that serves the residents and businesses of Western Arkansas and Eastern Oklahoma. By offering access to safe, efficient and convenient air transportation, the airport plays a significant role in economic development for the region.

Fort Smith Regional Airport is home to approximately 77 corporate and general aviation aircraft, as well as the 188th Wing of the Arkansas Air National Guard. The airport's primary runway is 8,017 x 150-feet with dual instrument landing systems. The crosswind runway is 5,002 x 150-feet. Air Traffic services are provided by the Federal Aviation Administration from an Air Traffic Control (ATC) Tower and TRACON (Terminal Radar Approach Control). The airport is located just off Interstate 540 within an eight-mile radius of Interstate 40, providing excellent access to ground transportation.

The Activities in 2021

Scheduled Airline Service – As of December 31, 2021, one regional airline (American Airlines) served the Airport. American operates non-stop flights to Dallas/Ft. Worth. The airline offers connecting service to most destinations in the world.

Enplaned passengers increased 22.3% in 2021 versus 2020.

Enplanements (revenue and non-revenue passenger boardings)

	American Airlines (to DFW)	Delta * (to ATL)	Atlantic Southeast (to ATL)	Charters	Total
2011	50,452	35,782	–	–	86,234
2012	50,552	36,101	–	–	86,653
2013	49,041	35,479	–	–	84,520
2014	54,663	38,206	–	–	92,869
2015	56,109	30,595	–	–	86,704
2016	55,978	31,510	–	–	87,488
2017	61,516	28,066	–	–	89,582
2018	62,738	27,763	–	–	90,501
2019	69,096	26,574	–	–	95,670
2020	32,920	5,740	–	–	38,660
2021	47,287	–	–	–	47,287

* Delta flights were suspended as of July 7, 2020.

Aircraft operations increased 0.6% in 2021 versus 2020.

Aircraft Operations

	Itinerant				Local*		Total
	Air Carrier airline/charter over 60 passengers	Air Taxi airline/charter 60 passengers or less	General Aviation	Military	General Aviation	Military	
2011	1,650	4,456	13,903	7,395	7,706	5,859	40,969
2012	318	6,262	13,710	6,944	6,915	4,816	38,965
2013	64	6,009	12,835	6,141	5,660	4,171	34,880
2014	53	5,624	12,948	5,487	5,421	4,400	33,933
2015	463	4,407	12,902	4,844	6,975	4,261	33,852
2016	2,053	2,776	14,533	7,160	11,816	6,189	44,527
2017	2,906	2,023	13,962	6,182	10,393	4,835	40,301
2018	1,483	3,264	12,833	4,974	8,547	2,957	34,058
2019	1,663	3,267	12,482	4,283	8,054	1,966	31,715
2020	740	2,796	12,234	4,397	7,966	1,662	29,795
2021	1,206	3,310	12,973	6,619	4,540	1,322	29,970

* Local - those that occur only within the local airport traffic pattern or at practice areas within 20 miles of the airport.

Other 2021 Highlights

Operating revenues have increased from 2020 but have not reached the pre-pandemic revenues of 2019. The Airport received a CRRSA grant for \$1,247,758 and an ARPA grant for \$1,669,624, both of which can be used to reimburse eligible operating expenses for four years after the issue date. The Airport's CARES Act grant was reallocated with \$3,806,979 for the runway extension and leaving \$7,807,447 that can be used to reimburse eligible operating expenses through April 2024. Two additional grants were received for the runway overlay and the city and state committed funding to extend runway 8/26 (currently runway 7/25).

Infrastructure projects completed in 2021 included finalizing design of the runway overlay project and replacing the terminal boiler. Projects commencing in 2021 included runway 7/25 overlay construction (also included arresting barrier removal and runway renumbering), and runway 8/26 extension design.

The preparation of this report and a successful 2021 could not have been accomplished without the dedicated service of the airport's staff. Everyone involved has our sincere appreciation for the efforts made in preparation of this report. In closing, without the leadership and support of our governing body, the Fort Smith Airport Commission, preparation of this report would not have been possible.

Sincerely,

FORT SMITH REGIONAL AIRPORT

A handwritten signature in blue ink, appearing to read "Michael Griffin". The signature is fluid and cursive, with the first name "Michael" being larger and more prominent than the last name "Griffin".

Michael Griffin, A.A.E., Airport Director

Fort Smith Airport Commission
Members as of December 31, 2021

	<i>Term Expires</i>
Eric Pendergrass	June 30, 2026
Kevin Ridgley	June 30, 2026
Robert Hawkins	June 30, 2025
Gary Grimes	June 30, 2024
Mac McGhee	June 30, 2023
James E. Kelly, III M.D.	June 30, 2022
Jan Nordin	June 30, 2022

Airport Officials
as of December 31, 2021

Michael Griffin, A.A.E., Airport Director
Kathy Boze, C.M., Director of Administration

Financial Section

Independent Auditor's Report

Members of the Fort Smith Airport Commission
Fort Smith Regional Airport
Fort Smith, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Fort Smith Regional Airport (the Airport), a component unit of the City of Fort Smith, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Airport, 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 opinion.

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 Airport's ability to continue as a going concern for 12 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 GAAS 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 GAAS 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 Airport'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of passenger facility charge collections and expenditures required by the *Passenger Facility Charge Audit Guide for Public Agencies* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022, on our consideration of the Airport'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 Airport'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 the Airport's internal control over financial reporting and compliance.

BKD, LLP

Rogers, Arkansas
February 17, 2022

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Management's Discussion and Analysis
December 31, 2021 and 2020

This narrative discussion and analysis is intended to serve as an introduction and overview to the Fort Smith Regional Airport's (the Airport's) basic financial statements for the fiscal years ended December 31, 2021 and 2020. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information found in this report.

Overview of the Financial Statements

This audit report consists of three parts: 1) management's discussion and analysis (this section); 2) basic financial statements; and 3) supplementary information. The Airport's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Airport is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred, regardless of when cash is received or paid. Capital assets are capitalized and, with the exception of land, are depreciated over their useful lives.

The basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. The statements of net position present information on all of the Airport's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Airport's financial health. The statements of revenues, expenses and changes in net position present information showing how the Airport's net position changed during the most recent year, along with a comparison of operating performance with 2020. All changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods. The statements of cash flows relate to the receipts and disbursements of cash and cash equivalents. Consequently, only transactions that affect the Airport's cash accounts are recorded in these statements.

Financial Results

2021 Statement of Net Position Compared to 2020

Current assets were up 89% or \$2,304,426 and current liabilities were up 161.6% or \$688,378. The change in current assets is primarily due to the increase in receivables for ongoing capital projects. The change in current liabilities is primary due to increase in payables for ongoing capital projects. Total net position has increased by 27.4% or \$11,670,189.

2020 Statement of Net Position Compared to 2019

Current assets were down 47.7% or \$2,363,211 and current liabilities were down 23.1% or \$127,584. The change in current assets is primarily due to the increase in certificates of deposit which reduced current assets and increased noncurrent assets. The change in current liabilities is primarily due to removal of current revenue bond payable when the bond was paid off. Total net position has decreased by 5.7% or \$2,315,466.

FORT SMITH REGIONAL AIRPORT Statements of Net Position

	2021	2020	2019	2021-2020 % Change	2020-2019 % Change
Current Assets	\$ 4,892,647	\$ 2,588,221	\$ 4,951,432	89.0%	-47.7%
Capital Assets, net	44,969,761	35,250,231	36,173,147	27.6%	-2.6%
Other Assets	<u>5,566,524</u>	<u>5,231,913</u>	<u>1,187,239</u>	6.4%	340.7%
Total Assets	<u>\$ 55,428,932</u>	<u>\$ 43,070,365</u>	<u>\$ 42,311,818</u>	28.7%	1.8%
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,665</u>	0.0%	-100.0%
Current Liabilities	\$ 1,114,291	\$ 425,913	\$ 553,497	161.6%	-23.1%
Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>1,485,000</u>	0.0%	-100.0%
Total Liabilities	<u>\$ 1,114,291</u>	<u>\$ 425,913</u>	<u>\$ 2,038,497</u>	161.6%	-79.1%
Net Position					
Net Investment in Capital Assets	\$ 44,037,415	\$ 35,000,556	\$ 34,528,812	25.8%	1.4%
Restricted Net Position	31,907	27,801	455,490	14.8%	-93.9%
Unrestricted Net Position	<u>10,245,319</u>	<u>7,616,095</u>	<u>5,344,684</u>	34.5%	42.5%
Total Net Position	<u>\$ 54,314,641</u>	<u>\$ 42,644,452</u>	<u>\$ 40,328,986</u>	27.4%	5.7%

2021 Revenues and Expenses Compared to 2020

Operating revenues increased by \$195,653 (8.8%) over 2020 as air traffic recovers slowly from the COVID-19 pandemic and the 2020 loss of Delta Air Lines. Operating expenses increased by \$19,066 (0.41%). Capital contributions, grants and charges were up \$10,192,645 (859.9%) due to funds received for the runway overlay project. Projects in 2021 included: terminal boiler, carpet replacement in the departure lobby and administration offices, terminal lighting controls upgrades, UV lighting installation in the HVAC system, and terminal building lighting converted to LED. Projects commencing include: runway 7/25 overlay construction with arresting barrier removal and runway 8/26 extension design; funded with federal and city funds. Net position increased by \$11,670,189 (27.4%).

2020 Revenues and Expenses Compared to 2019

Operating revenues decreased by \$753,040 (25.2%) due to decreased traffic as a result of the COVID-19 pandemic. Operating expenses decreased by \$19,732 (0.4%). Capital contributions, grants and charges were up \$3,223,893 (225.6%) due to the CARES Act funds received in the current year. Projects funded in 2020 included: completing construction of Taxiway A lighting system and continuing the airport master plan and the design of Runway 7/25 overlay; all federally funded with state match. Completing perimeter fencing and security systems updates with PFC funds. Net position increased by \$2,315,466 (5.7%).

FORT SMITH REGIONAL AIRPORT Summary of Revenues, Expenses and Changes in Net Position

	2021	2020	2019	% Change 2021-2020	% Change 2020-2019
Operating Revenues:					
Flowage Fees	\$ 88,403	\$ 75,181	\$ 138,293	17.6%	-45.6%
Landing Fees	91,005	77,459	157,817	17.5%	-50.9%
Rented Buildings and Other	1,735,281	1,661,746	1,845,141	4.4%	-9.9%
Parking Lot Fees	228,618	176,075	508,467	29.8%	-65.4%
Fuel	90,042	65,651	71,693	37.2%	-8.4%
Other	194,863	176,447	264,188	10.4%	-33.2%
	<u>2,428,212</u>	<u>2,232,559</u>	<u>2,985,599</u>	8.8%	-25.2%
Operating Expenses:					
Personal Services	937,624	858,078	831,412	9.3%	3.2%
Contractual Services	977,314	925,662	980,293	5.6%	-5.6%
Commodities	235,235	193,947	232,175	21.3%	-16.5%
Other Charges	115,147	126,550	96,378	-9.0%	31.3%
Depreciation and Amortization	2,348,038	2,490,055	2,473,766	-5.7%	0.7%
	<u>4,613,358</u>	<u>4,594,292</u>	<u>4,614,024</u>	0.4%	-0.4%
Operating Loss	(2,185,146)	(2,361,733)	(1,628,425)	7.5%	-45.0%
Nonoperating Revenues (Expenses), net	<u>2,477,294</u>	<u>3,491,803</u>	<u>(7,575)</u>	29.1%	46196.4%
Increase (Decrease) in Net Position before Capital Contributions, Grants and Charges	292,148	1,130,070	(1,636,000)	74.1%	169.1%
Capital Contributions, Grants and Charges	<u>11,378,041</u>	<u>1,185,396</u>	<u>1,429,031</u>	859.9%	-17.0%
Increase (Decrease) in Net Position after Capital Contributions, Grants and Charges	11,670,189	2,315,466	(206,969)	404.0%	1218.8%
Total Net Position, Beginning of Year	<u>42,644,452</u>	<u>40,328,986</u>	<u>40,535,955</u>	5.7%	-0.5%
Total Net Position, End of Year	<u>\$ 54,314,641</u>	<u>\$ 42,644,452</u>	<u>\$ 40,328,986</u>	27.4%	5.7%

Capital Assets

2021 Capital Projects

The following major projects and additions were completed during 2021:

- Design phase for the runway overlay was completed with expenses of \$37,834 incurred in 2021. Overall project cost was \$479,623 with 90% funded by FAA funds and the balance of \$47,961 from state matching funds.
- Terminal building boiler was replaced with final billing in 2022 at \$220,813. Funding was 61% PFC funds with the balance from airport funds.
- Terminal lighting controller and panel was upgraded at \$57,929 with 100% PFC funds.
- Terminal building lights were converted to LED. Carpet was replaced in the departure terminal lobby and the administration offices for a total cost of \$77,004. UV lighting system was installed in the terminal HVAC system at \$33,565. All were completed with airport funds.

The following projects were started and underway at December 31, 2021:

- Airport master plan update continued from 2019 with no expenditures in 2021. The project is expected to conclude in 2022 at total cost of \$778,929. FAA will provide 90% funding for this project, with the balance expected to be funded by state reimbursement in 2022.
- Construction work began on the runway overlay with 2021 expenses of \$9,587,784. The project is expected to conclude in early 2022. FAA will provide 100% funding through three sources of federal funds.
- Design work began on the runway extension with 2021 expenses of \$1,929,014. Construction is anticipated to start 2022. City and state will provide 100% funding for the project.

2020 Capital Projects

The following major projects and additions were completed during 2020:

- Taxiway A East lighting construction was completed with expenses of \$674,240 incurred in 2020. The project was completed in 2020 at total of \$757,358. The project was funded 90% with FAA funds with the balance of \$76,130 from state matching funds.
- Section of perimeter security fencing was completed at a total cost of \$333,596 and funded 100% with PFC funds.
- Terminal ramp light fixtures was updated to LED; and the security access control and CCTV system were upgraded at a combined cost of \$51,330 and funded 100% with PFC funds.
- New carpet was installed in the main terminal lobby for a total cost of \$92,813 and terminal ramp light fixtures were updated to LED at \$23,675. Both completed with airport funds.

The following projects were started and underway at December 31, 2020:

- Airport master plan update continued from 2019 with expenses of \$47,651 incurred in 2020. The project is expected to conclude in early 2021 at total cost of \$778,929. FAA will provide 90% funding for this project, with the balance expected to be funded by state reimbursement in 2021.
- Design phase for the runway overlay continued from 2019 with expenses of \$264,575 incurred in 2020. The project is expected to conclude in early 2021 at a total of \$495,000. FAA will provide 90% funding for this project, with the balance expected to be funded by state reimbursement in 2021.

Debt Administration

2021 Compared to 2020

No new debt was acquired during 2021.

2020 Compared to 2019

Long-term debt was reduced by 100% as the CARES Act funds were used to extinguish debt.

**FORT SMITH REGIONAL AIRPORT
Outstanding Long-Term Debt**

	2021	2020	2019	% Change 2021-2020	% Change 2020-2019
Revenue Bonds Payable, Net	\$ -	\$ -	\$ 1,700,000	0.0%	-100.0%
Total Outstanding Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700,000</u>		

Additional information on the Airport’s long-term debt can be found on page 21 of this report.

Economic Factors and Next Year’s Rates and Charges

The airport experienced a 22.3% increase in enplaned passengers during 2021, for a total of 47,287 as compared to 38,660 in 2020 and 95,670 in 2019. Total aircraft operations increased 0.6% in 2021 for a total of 29,970 as compared to and 29,795 in 2020 and 31,715 in 2019.

In 2021 revenues have increased but have not reached the pre-pandemic revenues seen in 2019 and early 2020. The effects of losing Delta and continued outbreaks of COVID-19 variants have slowed the recovery. The airport has received a CRRSA grant and an APRA grant. Those grant funds and the CARES Act grant funds will be used for eligible operating expense, which will keep the airport in good standing financially as the airport continues to recover from the pandemic.

Request for Information

This financial report is designed to provide a general overview of the Airport’s finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Administration, Fort Smith Regional Airport, 6700 McKennon Blvd. Suite 200, Fort Smith, AR 72903.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Current Assets		
Cash	\$ 3,446,173	\$ 2,014,971
Grants receivable	1,229,406	127,906
Passenger facility charges receivable	30,383	27,801
Intergovernmental receivable	-	243,644
Inventories	82,360	46,607
Prepaid expenses	86,267	79,663
Interest receivable	18,058	47,629
	4,892,647	2,588,221
Noncurrent Assets		
Restricted cash	1,524	131,603
Certificates of deposit	5,565,000	5,100,310
Capital assets, not being depreciated	19,808,641	8,066,937
Capital assets, being depreciated, net	25,161,120	27,183,294
	50,536,285	40,482,144
	55,428,932	43,070,365

	2021	2020
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	\$ 975,589	\$ 278,975
Accounts payable – related party	7,440	9,000
Accrued expenses and other	77,374	72,293
Unearned revenue	53,888	65,645
	<u>1,114,291</u>	<u>425,913</u>
Total current liabilities payable	<u>1,114,291</u>	<u>425,913</u>
Total liabilities	<u>1,114,291</u>	<u>425,913</u>
Net Position		
Net investment in capital assets	<u>44,037,415</u>	<u>35,000,556</u>
Restricted for		
Expendable		
Capital expenditures	<u>31,907</u>	<u>27,801</u>
Total restricted net position	<u>31,907</u>	<u>27,801</u>
Unrestricted	<u>10,245,319</u>	<u>7,616,095</u>
Total net position	<u>\$ 54,314,641</u>	<u>\$ 42,644,452</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Flowage fees	\$ 88,403	\$ 75,181
Landing fees	91,005	77,459
Rented buildings and other	1,735,281	1,661,746
Parking lot fees	228,618	176,075
Fuel	90,042	65,651
Other	194,863	176,447
	2,428,212	2,232,559
Operating Expenses		
Personal services	937,624	858,078
Contractual services	977,314	925,662
Commodities	235,235	193,947
Other charges	115,147	126,550
Depreciation and amortization	2,348,038	2,490,055
	4,613,358	4,594,292
Operating Loss	(2,185,146)	(2,361,733)
Nonoperating Revenues (Expenses)		
Investment income	59,365	102,622
Interest expense	-	(78,347)
Loss on sale of capital assets	(7,012)	-
Passenger facility charges	180,124	157,915
Federal, state and local grants	2,244,817	3,309,613
	2,477,294	3,491,803
Increase in Net Position Before Capital Contributions and Grants	292,148	1,130,070
Capital Contributions and Grants		
Federal, state and local grants	11,378,041	1,185,396
	11,378,041	1,185,396
Increase in Net Position	11,670,189	2,315,466
Net Position, Beginning of Year	42,644,452	40,328,986
Net Position, End of Year	\$ 54,314,641	\$ 42,644,452

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Cash receipts from customers and users	\$ 2,262,624	\$ 1,997,888
Cash payments to vendors for goods and services	(1,377,065)	(1,060,136)
Cash payments for employee services	(948,185)	(874,737)
Net cash (used in) provided by operating activities	(62,626)	63,015
Noncapital Financing Activities		
Noncapital grants and gifts	2,244,817	3,309,613
Passenger facility charges received	177,542	192,589
Net cash provided by noncapital financing activities	2,422,359	3,502,202
Capital and Related Financing Activities		
Principal payments on bonds payable	-	(1,700,000)
Interest paid	-	(45,264)
Acquisition and construction of capital assets	(12,067,568)	(1,641,926)
Capital grants received	11,384,712	1,336,713
Net cash used in capital and related financing activities	(682,856)	(2,050,477)
Investing Activities		
Purchase of investments	(5,565,000)	(5,100,310)
Proceeds from sales and maturities of investments	5,100,310	3,778,358
Income received on investments and cash equivalents	88,936	97,139
Net cash used in investing activities	(375,754)	(1,224,813)
Net Increase in Cash	1,301,123	289,927
Cash, Beginning of Year	2,146,574	1,856,647
Cash, End of Year	\$ 3,447,697	\$ 2,146,574
Presented on the Statements of Net Position		
Current assets - cash	\$ 3,446,173	\$ 2,014,971
Noncurrent assets - restricted cash	1,524	131,603
	\$ 3,447,697	\$ 2,146,574

See Notes to Financial Statements

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Loss to Net Cash Provided by		
Operating Activities		
Operating loss	\$ (2,185,146)	\$ (2,361,733)
Items not requiring cash		
Depreciation and amortization	2,348,038	2,490,055
Changes in		
Accounts receivable	(864,527)	(234,671)
Inventories	(35,753)	(8,421)
Prepaid expenses	(6,604)	(7,000)
Accounts payable and accrued liabilities	<u>681,366</u>	<u>184,785</u>
Net cash (used in) provided by operating activities	<u>\$ (62,626)</u>	<u>\$ 63,015</u>
 Noncash Capital and Related Financing Activities:		
Capital assets acquired through payables	<u>\$ 482,965</u>	<u>\$ 249,675</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The Fort Smith Airport Commission (Airport Commission) was established by a City of Fort Smith (City) ordinance, pursuant to Arkansas Code Section 14-359-104, to manage the Fort Smith Regional Airport (Airport) and consists of seven members appointed by the Mayor and confirmed by the governing body of the City. Each member of the Airport Commission is appointed for a term of five years. The City can impose its will on the Airport through its statutory authority to remove members of the Airport Commission. Also, the City board of directors retains approval authority over the issuance of bonds for Airport purposes. Therefore, the City is financially accountable for the Airport, which is presented as a discretely presented component unit in the City's basic financial statements. The Airport is organized as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business; where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered, primarily through user charges.

Basis of Accounting and Financial Reporting

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Airport prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Investments and Investment Income

Investments in certificates of deposit and money market funds are carried at amortized cost. Investment income includes dividend and interest income and gas royalties.

Grants Receivable

Outlays for airport capital improvements and certain airport nonoperating expenses are subject to reimbursement from federal grant programs. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Inventory Pricing

Inventories of de-icing material are valued at cost using the first in, first out (FIFO) method. Inventories of fuel are stated at the lower of cost or market determined using the FIFO method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Airport:

Buildings and leasehold improvements	10 – 40 years
Machinery and equipment	3 – 15 years
Improvements other than buildings	5 – 20 years
Equipment, furniture and fixtures and other	3 – 10 years
Ramps, runways, taxiways and improvements	10 – 50 years

Lessee-Financed Improvements

Certain leases include provisions whereby lessee-financed improvements become the property of the Airport. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Airport recognizes lessee-financed improvements as capital assets and as capital contributions at cost, or estimated cost, upon completion of construction, or upon the asset being placed in service, whichever occurs first.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Compensated Absences

Airport policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are included in accrued expenses and are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Restricted Assets

Assets are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Revenue

The Airport has two classes of revenue, operating and nonoperating. Operating revenues consist of revenues that are generally received during the regular course of airport operations such as office and space rentals, landing fees, flowage fees and parking lot concessions. Nonoperating revenues generally consist of items that are not classified as operating revenues such as interest income and gas royalties.

Net Position

Net position of the Airport is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Airport, including amounts deposited with trustees as required by bond indentures. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Rental Income

All leases wherein the Airport is the lessor are accounted for as operating leases. Rental income is generally recognized as it becomes receivable over the respective lease terms.

Federal and State Grants

Outlays for certain airport capital improvements are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Arkansas. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

From time to time, the Airport disposes of land or other assets which were originally purchased with federal assistance. In accordance with the Airport Improvement Program (AIP), the Airport must reinvest the federal government's proportionate share of the proceeds realized from the sale or exchange of such assets in approved AIP projects or return such amounts to the federal government. Proceeds intended to be reinvested in future AIP projects are recorded as unearned revenue until expended.

Passenger Facility Charges

Under a Record of Decision, the Federal Aviation Administration (FAA) grants the Airport approval to impose a passenger facility charge (PFC) on flights originating from Fort Smith. The charge per enplaned passenger is \$4.50. PFC's are restricted for use in the construction of certain airport improvements and other costs, as approved by the FAA. PFC's are recognized as they are earned, are included in capital contributions, grants and charges and amounted to \$180,124 and \$157,915 for 2021 and 2020, respectively.

Revisions

Immaterial revisions have been made to the 2020 statement of revenues, expenses and changes in net position and statement of cash flows to properly report passenger facility charges and certain grant revenues as nonoperating revenues and noncapital financing activities rather than capital contributions and grants and capital and related financing activities. These revisions did not have a significant impact on the financial statement line items impacted.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Airport's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2021 and 2020, none of the Airport's bank balances of \$9,087,134 and \$7,253,073, respectively, were exposed to custodial credit risk.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2021	2020
Carrying value		
Deposits	\$ 9,012,697	\$ 7,246,884
	\$ 9,012,697	\$ 7,246,884
Included in the following statement of net position captions		
Current cash	\$ 3,446,173	\$ 2,014,971
Noncurrent restricted cash	1,524	131,603
Noncurrent certificates of deposit	5,565,000	5,100,310
	\$ 9,012,697	\$ 7,246,884

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Restricted Cash

Cash is restricted as follows:

	2021	2020
Passenger facility charge fund	\$ 1,524	\$ 131,603
	\$ 1,524	\$ 131,603

Investment Income

Investment income for the years ended December 31, 2021 and 2020, consisted of:

	2021	2020
Interest and dividend income	\$ 53,792	\$ 99,773
Gas royalties	5,573	2,849
	\$ 59,365	\$ 102,622

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Note 3: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2021 and 2020, is as follows:

	2021			Ending Balance
	Beginning Balance	Transfers In and Additions	Transfers Out and Disposals	
Capital assets, not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	1,235,257	11,764,759	(23,055)	12,976,961
Total capital assets, not being depreciated	8,066,937	11,764,759	(23,055)	19,808,641
Capital assets, being depreciated:				
Buildings and building improvements	25,081,037	168,498	-	25,249,535
Runways and other airport infrastructure	56,032,172	-	-	56,032,172
Equipment, furniture and fixtures and other	12,497,328	164,379	(24,047)	12,637,660
Total capital assets, being depreciated	93,610,537	332,877	(24,047)	93,919,367
Less accumulated depreciation for:				
Buildings and building improvements	(13,854,027)	-	-	(13,854,027)
Runways and other airport infrastructure	(42,339,391)	-	-	(42,339,391)
Equipment, furniture and fixtures and other	(10,233,825)	-	-	(10,233,825)
Total accumulated depreciation	(66,427,243)	(2,348,038)	17,034	(68,758,247)
Total capital assets, being depreciated, net	27,183,294	(2,015,161)	(7,013)	25,161,120
Capital assets, net	\$ 35,250,231	\$ 9,749,598	\$ (30,068)	\$44,969,761

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

	2020			
	Beginning Balance	Transfers In and Additions	Transfers Out and Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	999,835	338,318	(102,896)	1,235,257
Total capital assets, not being depreciated	7,831,515	338,318	(102,896)	8,066,937
Capital assets, being depreciated:				
Buildings and building improvements	26,346,321	117,108	(1,382,392)	25,081,037
Runways and other airport infrastructure	55,412,227	781,034	(161,089)	56,032,172
Equipment, furniture and fixtures and other	12,517,865	427,285	(447,822)	12,497,328
Total capital assets, being depreciated	94,276,413	1,325,427	(1,991,303)	93,610,537
Less accumulated depreciation for:				
Buildings and building improvements	(14,598,457)	(637,962)	1,382,392	(13,854,027)
Runways and other airport infrastructure	(40,980,818)	(1,519,662)	161,089	(42,339,391)
Equipment, furniture and fixtures and other	(10,355,506)	(332,431)	454,112	(10,233,825)
Total accumulated depreciation	(65,934,781)	(2,490,055)	1,997,593	(66,427,243)
Total capital assets, being depreciated, net	28,341,632	(1,164,628)	6,290	27,183,294
Capital assets, net	\$ 36,173,147	\$ (826,310)	\$ (96,606)	\$35,250,231

Construction Commitments

As of December 31, 2021, the Airport has construction commitments which include the master plan update and runway overlay design, among other commitments. As of December 31, 2021 and 2020, outstanding construction commitments totaled \$4,353,498 and \$116,324, respectively.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: Long-term Liabilities

The following is a summary of long-term liabilities for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Revenue bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -
	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Revenue bonds payable	\$ 1,700,000	\$ -	\$ (1,700,000)	\$ -	\$ -

Revenue Bonds Payable

The Series 2011 bonds (the Bonds) were payable in annual installments through October 1, 2026. The Airport utilized CARES Act funding to retire the Bonds during the year ended December 31, 2020 and no new debt was acquired during the year ended December 31, 2021.

Note 5: Rental Income From Operating Leases

The Airport leases land, buildings and space in the terminal on a fixed fee and a contingent rental fee basis. Many of the leases provide for periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Airport for the purpose of rental or related use. Rental income, including parking lot fees, for the years ended December 31, 2021 and 2020, was \$1,936,899 and \$1,837,821, respectively.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Minimum future rentals on noncancellable operating leases in each of the next five years and thereafter as of December 31, 2021 are as follows:

2022		\$ 1,288,966
2023		1,068,232
2024		831,026
2025		492,270
2026		463,866
Thereafter		<u>3,575,949</u>
		<u>\$ 7,720,309</u>

Contingent rentals and fees aggregated approximately \$348,366 in 2021 and \$456,314 in 2020, and are accrued in arrears.

American Airlines leases space for their operations for approximately \$203,499 per year. If the airline chooses to discontinue service, the financial impact on the Airport would be significant.

During 2020, Delta Air Lines discontinued service due to the impact of the COVID-19 pandemic on their operations.

Note 6: Public Employees’ Retirement Plan

Plan Description

The Airport participates in the City of Fort Smith’s Public Employees’ Retirement Plan (PERS), a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the “401(a) Plan”). The International City Management Association Retirement Corporation (ICMARC) serves as administrator of the 401(a) Plan. All full-time, nonuniformed employees are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made and each participant manages his or her account by selecting from various investment options offered by ICMARC. Plan benefits are based upon the total amount of money in an individual’s account at retirement. Plan provisions and contribution rates are established by the 401(a) Plan agreement between the Board of Directors and ICMARC. Approval from both the Board of Directors and ICMARC is required for 401(a) Plan amendments. Employees make no contributions to the 401(a) Plan; however, the Airport makes contributions equal to 5% of each covered employee’s earnings.

Employer contributions to PERS totaled approximately \$39,000 and \$37,000 for 2021 and 2020, respectively.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

The Airport also participates in the other postemployment benefit plan (plan) administered by the City. The plan is a cost sharing multiple employer plan. All benefit obligations of the plan are pooled and recorded on the books of the City. As of December 31, 2021, there were no material required contributions. The complete disclosures required by GASB 75 are included in the City of Fort Smith's Annual Financial Report.

Note 7: Related Party Transactions

The City is responsible for processing and disbursing the Airport's payroll on a bi-weekly basis. The Airport reimburses the City for the cost of the payroll plus a monthly administration fee of \$264. During 2021 and 2020, the Airport paid the City \$3,163 in payroll administration fees each year. In addition, the Airport also participates in the City's health insurance and retirement plans. The City now bills the Airport biweekly for insurance, retirement, payroll and payroll taxes. While the City retains the risk of financing the health insurance plan's obligations that exceed the Airport's and its employees' premiums paid, the monthly health insurance premiums are determined by the City at the beginning of each year and are adjusted as necessary. As of December 31, 2021 and 2020, \$7,440 and \$9,000, respectively, was payable each year to the City for payroll disbursements, insurance premiums, and retirement contributions.

As of December 31, 2021, the Airport received \$1,929,013 from the City for the Airport's Runway Extension project.

Note 8: Risk Management

The Airport is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in the current or any of the three preceding years.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Notes to Financial Statements
December 31, 2021 and 2020

Note 9: COVID-19 Pandemic & Related Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of which include the ultimate duration or extent of the pandemic; the duration of travel restrictions and warnings; to what extent the COVID-19 pandemic will continue to disrupt the local or global economy; the extent to which such disruption will adversely impact construction or other operations at the Airport; continued actions that may be taken by governmental authorities to contain the outbreak or treat its impact; and duration or extent to which any of the foregoing may have a material adverse effect on the financial position, results of operations and cash flows of the Airport, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

CARES Act grant is the Coronavirus Aid, Relief, and Economic Security Act approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Airport was awarded \$11.6 million in CARES Act grant funds which may be used for qualifying expenses as defined by the Federal Aviation Administration over the next four years. The Airport drew \$4.7 million of the CARES Act grant in FY 2021 and \$3.5 million of the CARES Act grant in FY2020.

During FY 2021, the Airport received federal funding through the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA Act), which was signed into law on December 27, 2020. The CRRSAA Act provides additional aid in the form of grants to airports to prevent, prepare for, and respond to the coronavirus disease 2019 (COVID-19) pandemic. This aid provides economic relief to eligible U.S. airports and eligible concessions. The Airport drew \$838 thousand of the CRRSAA Act grant in FY2021.

The American Rescue Plan Act (ARPA) was signed into law March 11, 2021, which included funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. As of December 31, 2021, the Airport had not drawn on any ARPA funds.

Required Supplementary Information

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
Year Ended December 31, 2021

	Final Budget	Actual	Variance
Operating Revenues			
Flowage Fees			
FBO	\$ 75,000	\$ 78,714	\$ 3,714
Corporate	8,000	9,689	1,689
	<u>83,000</u>	<u>88,403</u>	<u>5,403</u>
Landing Fees			
Airlines	86,000	89,986	3,986
FBO	1,000	1,019	19
	<u>87,000</u>	<u>91,005</u>	<u>4,005</u>
Rented Buildings and Other			
Airlines	111,700	108,465	(3,235)
Car rental	360,000	441,418	81,418
Restaurant	-	27	27
Other terminal and office	1,900	2,303	403
Displays	45,000	48,709	3,709
TSA	49,000	49,388	388
FBO	320,200	320,218	18
SASO	93,000	93,054	54
T - Hangars	81,000	81,996	996
Corporate	111,200	111,245	45
Commercial leases	483,000	478,458	(4,542)
	<u>1,656,000</u>	<u>1,735,281</u>	<u>79,281</u>
Parking Lot Fees	<u>240,000</u>	<u>228,618</u>	<u>(11,382)</u>
Fuel	<u>61,000</u>	<u>90,042</u>	<u>29,042</u>
Other			
Auto gas – rental car and airlines	26,700	27,711	1,011
Miscellaneous	21,800	78,132	56,332
LEO cost reimbursement	89,000	89,020	20
	<u>137,500</u>	<u>194,863</u>	<u>57,363</u>
Total operating revenues	<u>2,264,500</u>	<u>2,428,212</u>	<u>163,712</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued)
Year Ended December 31, 2021

	Final Budget	Actual	Variance
Operating Expenses			
Personal services			
Salaries regular	\$ 723,500	\$ 719,356	\$ 4,144
Salaries overtime	7,700	7,970	(270)
Longevity	2,000	1,445	555
FICA airport contribution	56,100	51,730	4,370
FUTA unemployment	17,500	-	17,500
Health coverage and wellness	101,800	105,967	(4,167)
Dental	7,300	7,180	120
Disability	3,700	2,596	1,104
Life	1,200	981	219
Vision	1,400	1,219	181
Retirement	39,200	39,180	20
	<u>961,400</u>	<u>937,624</u>	<u>23,776</u>
Contractual services			
Electricity	154,000	142,650	11,350
Electricity - Airfield Lighting	-	4,861	(4,861)
Gas	72,200	72,201	(1)
Water and sewer	38,700	32,507	6,193
Telephone	9,800	7,227	2,573
Printing and advertisement	2,700	1,561	1,139
Postage and shipping	2,400	1,389	1,011
Travel and training	30,000	8,565	21,435
Airport marketing/development	55,000	64,597	(9,597)
Airport business	10,000	2,732	7,268
Professional services	30,000	60,491	(30,491)
Technical services	36,000	38,205	(2,205)
Legal services	20,000	3,125	16,875
Maintenance/repair – buildings	166,000	146,730	19,270
Maintenance/repair – fences	3,000	2,970	30
Maintenance/repair – pavement	50,000	23,740	26,260
Maintenance/repair – equipment	76,000	48,062	27,938
Maintenance/repair - Wash Bay	-	500	(500)
Other contractual services	76,000	90,009	(14,009)
LEO cost reimbursement	89,300	89,020	280
Audit and financial services	53,000	53,681	(681)
Commercial leases	82,500	82,491	9
	<u>1,056,600</u>	<u>977,314</u>	<u>79,286</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued)
Year Ended December 31, 2021

	Final Budget	Actual	Variance
Commodities			
Office and duplicating supplies	\$ 2,100	\$ 1,430	\$ 670
Motor fuels and lubricants	23,000	24,021	(1,021)
Chemicals	36,000	18,179	17,821
Chemicals and supplies - wash bay	-	131	(131)
Janitorial supplies	26,000	14,704	11,296
Materials	17,600	16,703	897
Other commodities	26,000	9,958	16,042
Clothing and supplies	9,200	4,977	4,223
Tools	4,400	3,532	868
Trees and plants	5,000	5,298	(298)
Gas for resale	6,300	27,782	(21,482)
Aviation fuel for resale	73,000	87,932	(14,932)
Field lighting	20,000	20,588	(588)
	<u>248,600</u>	<u>235,235</u>	<u>13,365</u>
Other charges			
Commercial property insurance	50,800	49,836	964
Airport liability insurance	11,200	11,877	(677)
Officers and directors insurance	6,800	6,802	(2)
Vehicle insurance	15,500	15,450	50
Workers compensation insurance	12,000	11,869	131
Dues and subscriptions	10,800	8,526	2,274
Miscellaneous charges	5,000	32	4,968
Payroll processing fees	3,700	3,163	537
Property and use taxes	7,900	7,592	308
	<u>123,700</u>	<u>115,147</u>	<u>8,553</u>
Total operating expenses	<u>2,390,300</u>	<u>2,265,320</u>	<u>124,980</u>
Operating Income	<u>(125,800)</u>	<u>162,892</u>	<u>(38,732)</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued)
Year Ended December 31, 2021

	Final Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Investment income			
Interest – operating fund	\$ 44,000	\$ 44,553	\$ 553
Interest – projects fund	9,300	9,239	(61)
Gas royalties	5,100	5,573	473
Passenger facility charges	202,000	180,124	(21,876)
Federal, state and local grants			
Federal grants	<u>2,400,000</u>	<u>2,244,817</u>	<u>(155,183)</u>
	<u>2,660,400</u>	<u>2,484,306</u>	<u>(176,094)</u>
Interest expense	<u>(91,605)</u>	<u>-</u>	<u>91,605</u>
Loss on sale of capital assets	<u>-</u>	<u>(7,012)</u>	<u>(7,012)</u>
Total Nonoperating Revenues (Expenses)	<u>2,568,795</u>	<u>2,477,294</u>	<u>(91,501)</u>
Increase (Decrease) in Net Position Before Capital Contributions and Grants	<u>2,442,995</u>	<u>2,640,186</u>	<u>(130,233)</u>
Capital Contributions and Grants			
Federal, state and local grants			
Federal grants	10,721,951	9,449,028	(1,272,923)
State/local grants	<u>2,028,927</u>	<u>1,929,013</u>	<u>(99,914)</u>
	<u>12,750,878</u>	<u>11,378,041</u>	<u>(1,372,837)</u>
	<u>12,750,878</u>	<u>11,378,041</u>	<u>(1,372,837)</u>
Increase in Net Position Before Bond Principal Payments and Capital Outlay Expenditures	<u>15,193,873</u>	<u>14,018,227</u>	<u>(1,503,070)</u>
Capital outlay expenditures	<u>442,965</u>	<u>1,125,346</u>	<u>(682,381)</u>
	<u>442,965</u>	<u>1,125,346</u>	<u>(682,381)</u>
Increase in Net Position, Budgetary Basis	<u>\$ 14,750,908</u>	<u>\$ 12,892,881</u>	<u>\$ (2,185,451)</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) (Continued)
Year Ended December 31, 2021

Notes to Budgetary Comparison Schedule

Budget Reconciliation – Items required to adjust actual expenses reported on the budgetary basis to those reported within the financial statements as of and for the year ended December 31, 2021, are as follows:

Operating expenses – Budgetary Basis, December 31, 2021	\$ 2,265,320
Depreciation and amortization expense	<u>2,348,038</u>
Operating expenses – Statements of Revenues, Expenses and Changes in Net Position, December 31, 2021	<u>\$ 4,613,358</u>

Supplementary Information

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended December 31, 2021

	Date Approved	Amount Approved	Cumulative Total - December 31, 2020
Revenues			
Passenger facility charge revenues received			\$ 7,800,100
Interest earned			166,534
			<u>\$ 7,966,634</u>
Expenditures			
PFC projects completed prior to 2007	7/24/1997	\$ 3,279,122	\$ 3,279,122
Application 06-03			
Perimeter road construction reimbursements	8/1/2006	128,515	128,515
Terminal Apron	8/1/2006	280,734	280,734
Conditioned Air at Gates	7/5/2006	200,000	200,000
Terminal Security Equipment	7/5/2006	123,270	123,270
		<u>732,519</u>	<u>732,519</u>
Application 07-04			
Boarding Bridge Installation	11/20/2007	877,533	877,533
Flight Information Display System	11/20/2007	85,262	85,262
Security System Improvements	11/20/2007	279,268	279,268
PFC Administration Costs	11/20/2007	68,045	68,045
		<u>1,310,108</u>	<u>1,310,108</u>
Application 12-05			
Airport Entry Signs to Passenger Terminal	10/22/2012	65,273	65,273
Passenger Terminal Sterile Lobby Expansion	10/22/2012	52,982	52,982
Portable Pre-conditioned Air and Ground Power Unit	10/22/2012	130,453	130,453
Runway 1/19 Pavement Rehabilitation and Marking	10/22/2012	26,202	26,202
Perimeter Security Fence and Erosion Control	10/22/2012	227,191	227,191
Runway Closure Signs	10/22/2012	37,186	37,186
Wildlife Habitat Mitigation and Drainage Improvements	10/22/2012	506,974	506,974
Wildlife Management Plan	10/22/2012	4,625	4,625
Security System Upgrade	10/22/2012	33,951	33,951
Breaking Action Testing Equipment	10/22/2012	7,250	7,250
Replace Security Vehicles	10/22/2012	47,482	47,482
Public Information Systems	10/22/2012	12,515	12,515
Snow Removal Equipment	10/22/2012	87,359	87,359
PFC Administration	10/22/2012	80,968	80,968
		<u>1,320,411</u>	<u>1,320,411</u>

Quarters Ended				Year Ended	Cumulative Total -
March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	December 31, 2021	December 31, 2021
\$ 32,478	\$ 53,694	\$ 53,868	\$ 37,501	\$ 177,541	\$ 7,977,641
-	-	-	-	-	166,534
\$ 32,478	\$ 53,694	\$ 53,868	\$ 37,501	\$ 177,541	\$ 8,144,175
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,279,122
-	-	-	-	-	128,515
-	-	-	-	-	280,734
-	-	-	-	-	200,000
-	-	-	-	-	123,270
-	-	-	-	-	732,519
-	-	-	-	-	877,533
-	-	-	-	-	85,262
-	-	-	-	-	279,268
-	-	-	-	-	68,045
-	-	-	-	-	1,310,108
-	-	-	-	-	65,273
-	-	-	-	-	52,982
-	-	-	-	-	130,453
-	-	-	-	-	26,202
-	-	-	-	-	227,191
-	-	-	-	-	37,186
-	-	-	-	-	506,974
-	-	-	-	-	4,625
-	-	-	-	-	33,951
-	-	-	-	-	7,250
-	-	-	-	-	47,482
-	-	-	-	-	12,515
-	-	-	-	-	87,359
-	-	-	-	-	80,968
-	-	-	-	-	1,320,411

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Passenger Facility Charge Revenues and Expenditures (Continued)
Year Ended December 31, 2021

	Date Approved	Amount Approved	Cumulative Total - December 31, 2020
Application 18-06			
Runway 1-19 Lighting Rehabilitation	1/17/2018	\$ 54,770	\$ 54,770
Emergency Airfield Generator Replacement	1/17/2018	39,621	39,621
Rehabilitate Terminal Building (chiller, HVAC, Fire Alarm Panel)	1/17/2018	355,213	333,565
Acquire/Replace Snow Removal Equipment	1/17/2018	306,330	305,896
Acquire Runway Sweeper	1/17/2018	140,000	126,707
RW 7-25 Rehab (Crack Repair, Seal Coat, Remark & Rw Renum)	1/17/2018	120,000	-
ARFF Facility Design & Construction	1/17/2018	290,000	116,863
Mater Plan Update & Airport Layout Plan	1/17/2018	57,500	-
TW A East Lighting Rehab & Electric Vault Phase Modification	1/17/2018	80,000	-
Rehab Term Bldg (Public Info System Improvements)	1/17/2018	20,000	-
Upgrade Security Systems & Security Fencing	1/17/2018	400,000	145,745
PFC Program Mgmt.	1/17/2018	100,000	69,703
		<u>1,963,434</u>	<u>1,192,870</u>
Application 21-07			
Runway Rehabilitation	3/5/2021	1,050,000	-
Security Screening Checkpoint Improvements (Construction)	3/5/2021	98,220	-
Install Perimeter Security Fencing	3/5/2021	350,000	-
Terminal Building Boiler System Replacement	3/5/2021	197,989	-
Passenger Terminal Lighting Control System Replacement	3/5/2021	61,500	-
PFC Administration - Formulation Costs	3/5/2021	32,100	-
PFC Administration - Ongoing Costs	3/5/2021	72,900	-
		<u>1,862,709</u>	<u>-</u>
Total passenger facility charge revenue expended		<u>\$ 10,468,303</u>	<u>\$ 7,835,030</u>

Quarters Ended				Year Ended	Cumulative Total -
March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	December 31, 2021	December 31, 2021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,770
-	-	-	-	-	39,621
-	-	-	-	-	333,565
-	-	-	-	-	305,896
-	-	-	-	-	126,707
-	-	-	-	-	-
-	-	-	-	-	116,863
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
164,079	53,694	18,930	-	236,703	382,448
-	-	3,800	-	3,800	73,503
<u>164,079</u>	<u>53,694</u>	<u>22,730</u>	<u>-</u>	<u>240,503</u>	<u>1,433,373</u>
-	-	-	-	-	-
-	-	4,220	7,618	11,838	11,838
-	-	-	-	-	-
-	-	7,483	5,507	12,990	12,990
-	-	-	11,712	11,712	11,712
-	-	19,435	12,665	32,100	32,100
-	-	-	-	-	-
-	-	31,138	37,502	68,640	68,640
<u>\$ 164,079</u>	<u>\$ 53,694</u>	<u>\$ 53,868</u>	<u>\$ 37,502</u>	<u>\$ 309,143</u>	<u>\$ 8,144,173</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Passenger Facility Charge Revenues and Expenditures (Continued)
Year Ended December 31, 2021

Notes to Schedule:

1. This schedule includes the Passenger Facility Charge (PFC) Program activity of the Airport and is presented on the cash basis of accounting. Under the cash basis of accounting, PFC revenues are recognized when they are received rather than when earned and eligible expenditures are recognized when payment for the related goods or services is made. The information in this schedule is presented in accordance with the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (FAA). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service and bond financing costs, as applicable to active applications. The Schedule of Passenger Facility Charges Revenues and Expenditures includes eligible expenditures that have been applied against PFC's collected as of December 31, 2021.
2. Collections and expenditures on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Airport to the FAA.
3. Effective July 24, 1997 and amended on August 1, 2006, a total of \$3,279,122 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
4. Effective August 1, 2006, a total of \$732,519 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
5. Effective November 20, 2007 and amended on October 4, 2012, a total of \$1,310,108 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
6. Effective October 22, 2012 and amended on January 17, 2018, a total of \$1,320,411 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
7. Effective January 17, 2018, a total of \$1,963,434 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
8. Effective March 5, 2021, a total of \$1,862,709 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/ Pass-through Grantor/ Cluster Title	Federal Assistance Listing	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation/ Federal Aviation Administration				
COVID-19 - Airport Improvement Program	20.106		\$ -	\$ 5,570,318
Airport Improvement Program	20.106		-	6,140,041
			<u>\$ -</u>	<u>\$ 11,710,359</u>

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Airport under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position, changes in net position or cash flows of the Airport.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The airport has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Statistical Section

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Selected Airport Operations Information
Year Ended December 31, 2021

Airport Operations

The Airport serves the west-central Arkansas and east-central Oklahoma region. The following shows enplanement information at the Airport from 2000 to 2021:

Total Year	U. S. Domestic Enplanements	Airport % of Enplanements	U. S. Primary Airports
2021	47,287 *	Not available	Not available
2020	38,660 *	0.01%	368,245,490
2019	95,670	0.01%	935,693,527
2018	90,501	0.01%	899,710,601
2017	89,582	0.01%	856,918,657
2016	87,488	0.01%	829,290,352
2015	86,704	0.01%	798,390,000
2014	92,869	0.01%	760,650,507
2013	84,520	0.01%	738,415,316
2012	86,653	0.01%	731,187,279
2011	86,234	0.01%	726,007,934
2010	86,129	0.01%	713,580,637
2009	78,432	0.01%	696,769,131
2008	87,030	0.01%	734,700,902
2007	99,127	0.01%	762,397,236
2006	94,717	0.01%	737,647,279
2005	102,607	0.01%	735,547,793
2004	90,613	0.01%	704,793,726
2003	89,510	0.01%	650,045,348
2002	85,137	0.01%	644,579,286
2001	90,311	0.01%	659,422,828
2000	99,493	0.01%	708,638,875
Airlines		2021 Passenger Enplanements	2021 Market Share
American Airlines		47,287	100%
		47,287 *	100%

Current year data is provided to the airport by local airlines. Prior years' data has been adjusted to data from the FAA Website.

*Significant decrease in enplanements in 2020 due to impact of COVID-19 pandemic on operations including termination of Delta Airlines service.

Rental Car and Airline Agreements

The Airport has lease/operating agreements with the following car rental agencies: Avis/Budget, Hertz and National/Enterprise. The Airport receives the greater of ten percent (10%) of gross revenue or a minimum annual guarantee from each agency.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Selected Airport Operations Information (Continued)
Year Ended December 31, 2021

Fort Smith based airlines include American Airlines. The airline lease agreement includes a covenant not to grant more favorable terms to other signatory airlines. The current landing fee is \$1.25 per thousand pounds of the maximum allowable certificated landing weight of aircraft used.

Terminal space is leased to the airlines on an exclusive and non-exclusive use basis. Exclusive use areas include ticket counters, office space and operations areas. The non-exclusive use areas include baggage claim space and security screening space. The 2021 rental rate of space for the exclusive use areas was \$22.00 per square foot per year and non-exclusive use areas was \$16.20 per square foot per year. The total rent for the non-exclusive use areas is prorated among the airlines using the industry standard “20/80%” rule – 20% of the total rent is equally divided among the airlines and 80% is divided according to each airline’s percentage of passenger enplanements. The agreements also establish fees for the airlines use of the public address system in the terminal.

Other Lease Agreements

Set forth below is a list of tenants or lessees of the Airport that are not airlines or rental car agencies.

Name of Tenant	Type
Truman Arnold Companies	Fixed base operator
ArcBest Corporation	Corporate aviation department
Shirley Crain	Corporate aviation department
Peterson Air	Corporate aviation department
USAF (188 th Wing)	MQ-9 MCE, governmental agency
ABS Avionics	Specialty aviation service organization
Franklin County Aviation	Specialty aviation service organization
Mercy	Specialty aviation service organization
Metro Aviation	Specialty aviation service organization
Numerous aviators	Specialty aviation service organization
Numerous aviators	T-hangar & small hangar leases
Federal Aviation Administration	Air Traffic Control Tower, governmental agency
Transportation Security Administration	Governmental agency
Airport Advertising	Advertising in passenger terminal
Ashby Street Outdoor	Advertising Billboard
Republic Parking Systems	Parking lot operator
Lyft	Commercial Operations
Raiser	Commercial Operations - UBER
Best HVAC Parts & Supply	Commercial building lease
Galbreath Dodson	Commercial building lease - Federal Express
Heritage Hotel Group - Homewood	Commercial land lease
Heritage Hotel Group - Home2	Commercial land lease
Home Depot	Commercial land lease
Young & Young Development	Commercial land lease

Other Required Reports

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

Independent Auditor's Report

Members of the Fort Smith Airport Commission
Fort Smith Regional Airport
Fort Smith, Arkansas

We have audited, 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, the financial statements of the Fort Smith Regional Airport, a component unit of the City of Fort Smith, Arkansas (the Airport), which comprise the Airport's statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of 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 Airport'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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
February 17, 2022

Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Members of the Fort Smith Airport Commission
Fort Smith Regional Airport
Fort Smith, Arkansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Fort Smith Regional Airport's, a component unit of the City of Fort Smith, Arkansas (the Airport), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport's major federal program for the year ended December 31, 2021. The Airport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Airport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Airport's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Airport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
February 17, 2022

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimer

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The Airport's major program was:

Cluster/Program	Federal Assistance Number
COVID-19 Airport Improvement Program	20.106
Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Airport qualified as a low-risk auditee? Yes No

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended Year Ended December 31, 2021

Reference Number	Summary of Finding	Status
No matters are reportable.		

Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance Independent Auditor's Report

Members of the Fort Smith Airport Commission
Fort Smith Regional Airport
Fort Smith, Arkansas

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Fort Smith Regional Airport's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on the passenger facility charge program for the year ended December 31, 2021.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended December 31, 2021.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guide. Our responsibilities under those standards and the Guide are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Airport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and terms and conditions applicable to the Airport's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Airport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
February 17, 2022

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Passenger Facility Charges Audit Summary
Year Ended December 31, 2021

- | | | | |
|-----|---|---------------------|---------------|
| 1. | Type of report issued on PFC financial statements. | <u>X</u> Unmodified | ___ Qualified |
| 2. | Type of report on PFC compliance. | <u>X</u> Unmodified | ___ Qualified |
| 3. | Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | ___ <u>X</u> Yes | ___ No |
| 4. | PFC revenue and interest is accurately reported on FAA Form 5100-127. | ___ <u>X</u> Yes | ___ No |
| 5. | The Public Agency maintains a separate financial accounting record for each application. | ___ <u>X</u> Yes | ___ No |
| 6. | Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the projects. | ___ <u>X</u> Yes | ___ No |
| 7. | Monthly carrier receipts were reconciled with quarterly carrier reports. | ___ <u>X</u> Yes | ___ No |
| 8. | PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | ___ <u>X</u> Yes | ___ No |
| 9. | Serving carriers were notified of PFC program actions/changes approved by the FAA. | ___ <u>X</u> Yes | ___ No |
| 10. | Quarterly reports were transmitted (or available via website) to remitting carriers. | ___ <u>X</u> Yes | ___ No |
| 11. | The Public Agency is in compliance with Assurance 8 of the Guide. | ___ <u>X</u> Yes | ___ No |
| 12. | Project design and implementation is carried out in accordance with Assurance 9 of the Guide. | ___ <u>X</u> Yes | ___ No |
| 13. | Project administration is carried out in accordance with Assurance 10 of the Guide. | ___ <u>X</u> Yes | ___ No |
| 14. | For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. | ___ Yes | ___ No |
| | | <u>X</u> N/A | ___ No |

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Passenger Facility Charges Program
Findings and Questioned Costs
Year Ended December 31, 2021

Findings Required to be Reported by the Guide

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Passenger Facility Charges
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

Reference Number	Summary of Finding	Status
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No matters are reportable.