

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

Annual Financial Report  
December 31, 2019 and 2018

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**December 31, 2019 and 2018**

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February 17, 2020

To the Public:

Enclosed herein is the Annual Financial Report for the Fort Smith Regional Airport for the fiscal year ended December 31, 2019 with a comparison to fiscal year ended December 31, 2018. 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 8,000 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 and future Interstate 49, providing excellent access to ground transportation.

### **The Activities in 2019**

Scheduled Airline Service – As of December 31, 2019, two regional airlines (American Airlines and Delta Air Lines) served the Airport. American operates non-stop flights to Dallas/Ft. Worth. Delta operates non-stop flights to Atlanta. Each airline offers connecting service to most destinations in the world.

Enplaned passengers increased 5.7% in 2019 versus 2018.

**Enplanements (revenue and non-revenue passenger boardings)**

|      | <b>American Airlines<br/>(to DFW)</b> | <b>Delta *<br/>(to ATL)</b> | <b>Atlantic<br/>Southeast<br/>(to ATL)</b> | <b>Charters</b> | <b>Total</b> |
|------|---------------------------------------|-----------------------------|--|-----------------|--------------|
| 2007 | 61,059                                | 26,750                      | 11,318                                     | –               | 99,127       |
| 2008 | 45,752                                | 23,833                      | 17,445                                     | –               | 87,030       |
| 2009 | 51,084                                | 23,885                      | 3,463                                      | –               | 78,432       |
| 2010 | 53,673                                | 32,456                      | –  | –               | 86,129       |
| 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       |

\* Delta Air Lines purchased Northwest Airlines in 2009.

Aircraft operations decreased 6.9% in 2019 versus 2018.

**Aircraft Operations**

|      | <b>Itinerant</b>  |   |                             |                 | <b>Local*</b>               |                 | <b>Total</b> |
|------|---|---|-----------------------------|-----------------|-----------------------------|-----------------|--------------|
|      | <b>Air Carrier<br/>airline/charter<br/>over 60<br/>passengers</b> | <b>Air Taxi<br/>airline/charter 60<br/>passengers or<br/>less</b> | <b>General<br/>Aviation</b> | <b>Military</b> | <b>General<br/>Aviation</b> | <b>Military</b> |              |
| 2007 | 169   | 7,963   | 20,671                      | 16,964          | 10,415                      | 12,995          | 69,177       |
| 2008 | 283   | 7,997   | 18,538                      | 13,046          | 9,914                       | 8,076           | 57,854       |
| 2009 | 409   | 6,937   | 13,962                      | 8,965           | 7,045                       | 6,500           | 43,818       |
| 2010 | 1,465   | 5,692   | 14,683                      | 8,623           | 7,982                       | 6,281           | 44,726       |
| 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       |

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

**Other 2019 Highlights**

Infrastructure projects completed in 2019 included the multi-year construction of the ARFF station. The Master Plan continues with projected completion date in early 2020. Design for the runway overlay began in 2019, along with taxiway A East lighting design.

The preparation of this report and a successful 2019 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".

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

**Fort Smith Airport Commission**  
**Members as of December 31, 2019**

|                          | <i>Term Expires</i> |
|--------------------------|---------------------|
| Robert Hawkins           | June 30, 2020       |
| Gary Grimes              | June 30, 2024       |
| James E. Kelly, III M.D. | June 30, 2022       |
| Mac McGhee               | June 30, 2023       |
| Jan Nordin               | June 30, 2022       |
| Kevin Ridgley            | June 30, 2021       |
| Justin Voris, MD         | June 30, 2021       |

**Airport Officials**  
**as of December 31, 2019**

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

## **Financial Section**

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fort Smith Regional Airport as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The introductory and statistical sections and accompanying supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and schedule of passenger facility charge revenues and expenditures as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on these sections.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2020, 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*

Fort Smith, Arkansas  
February 17, 2020

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Management's Discussion and Analysis**  
**December 31, 2019 and 2018**

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, 2019 and 2018. 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, liabilities and deferred outflows of resources, 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 2018. 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**

***2019 Statement of Net Position Compared to 2018***

Current assets were up 5.1% or \$238,187 and current liabilities were down 46.1% or \$472,936. The change in current assets is primarily due to the increase in certificates of deposit. The change in current liabilities is primarily due to the completion of the ARFF station construction during the year, reducing year-end construction payables from prior year end. Total net position has decreased by 0.5% or \$206,969.

### **2018 Statement of Net Position Compared to 2017**

Current assets were up 11.2% or \$476,611 and current liabilities were up 83.1% or \$465,856. The change in current assets is primarily due to year-end grant receivables for the ARFF Station Construction, Master Plan and Hangars 3 & 4 Roofing projects. The change in current liabilities is primarily due to year-end construction accounts payable for the ARFF Station Construction and Master Plan projects. Total net position has increased by 4.4% or \$1,719,776.

### **FORT SMITH REGIONAL AIRPORT Statements of Net Position**

|                                      | <b>2019</b>          | <b>2018</b>          | <b>2017</b>          | <b>2019-2018<br/>% Change</b> | <b>2018-2017<br/>% Change</b> |
|--------------------------------------|----------------------|----------------------|----------------------|-------------------------------|-------------------------------|
| Current Assets                       | \$ 4,951,432         | \$ 4,713,245         | \$ 4,236,634         | 5.1%                          | 11.2%                         |
| Capital Assets, net                  | 36,173,147           | 37,520,677           | 36,108,488           | -3.6%                         | 3.9%                          |
| Other Assets                         | <u>1,187,239</u>     | <u>957,659</u>       | <u>853,311</u>       | 24.0%                         | 12.2%                         |
| Total Assets                         | <u>\$ 42,311,818</u> | <u>\$ 43,191,581</u> | <u>\$ 41,198,433</u> | -2.0%                         | 4.8%                          |
| Total Deferred Outflows of Resources | <u>\$ 55,665</u>     | <u>\$ 70,807</u>     | <u>\$ 88,323</u>     | -21.4%                        | -19.8%                        |
| Current Liabilities                  | \$ 553,497           | \$ 1,026,433         | \$ 560,577           | -46.1%                        | 83.1%                         |
| Noncurrent Liabilities               | <u>1,485,000</u>     | <u>1,700,000</u>     | <u>1,910,000</u>     | -12.6%                        | -11.0%                        |
| Total Liabilities                    | <u>\$ 2,038,497</u>  | <u>\$ 2,726,433</u>  | <u>\$ 2,470,577</u>  | -25.2%                        | 10.4%                         |
| Net Position                         |                      |                      |                      |                               |                               |
| Net Investment in Capital Assets     | \$ 34,528,812        | \$ 35,681,484        | \$ 34,086,811        | -3.2%                         | 4.7%                          |
| Restricted Net Position              | 455,490              | 441,523              | 441,042              | 3.2%                          | 0.1%                          |
| Unrestricted Net Position            | <u>5,344,684</u>     | <u>4,412,948</u>     | <u>4,288,326</u>     | 21.1%                         | 2.9%                          |
| Total Net Position                   | <u>\$ 40,328,986</u> | <u>\$ 40,535,955</u> | <u>\$ 38,816,179</u> | -0.5%                         | 4.4%                          |

### **2019 Revenues and Expenses Compared to 2018**

Operating revenues increased by \$76,678 (2.6%) due to the increase in landing fees, building rentals and parking lot fees. Operating expenses increased \$56,924 (1.2%) primarily due to the increases in personnel services. Capital contributions, grants and charges were down \$2,008,532 (58.4%) due to the completion of the ARFF Station Construction project in 2019 funded by the FAA. Projects funded in 2019 included: completing FAA funded construction of the new ARFF station and continuing the Master Plan; PFC funded purchases of security system updates and state matching share of the ARFF station construction and Checkpoint renovations. Net position decreased by \$206,969 (0.5%).

## 2018 Revenues and Expenses Compared to 2017

Operating revenues increased by \$18,917 (0.7%) due to the increase in usage fees. Operating expenses decreased \$336,932 (6.9%) primarily due to the decreases in depreciation and in contractual services – ARFF firefighting services. Capital contributions, grants and charges were up by \$1,623,986 (89.5%) due to FAA funding in 2018 for ARFF Station Construction project and the Master Plan update. Projects funded in 2018 included: continuing FAA funded construction of the new ARFF station and an update to the Master Plan; PFC funded purchases of a runway sweeper and snow broom, continuing PFC funded construction of drainage improvements at Spivey Creek and state matching share of the roof seal coat for hangars 3 and 4. Net position increased by \$1,719,776 (4.4%).

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

|   | 2019                 | 2018                 | 2017                 | % Change<br>2019-2018 | % Change<br>2018-2017 |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Operating Revenues:   |                      |                      |                      |                       |                       |
| Flowage Fees  | \$ 138,293           | \$ 140,853           | \$ 147,475           | -1.8%                 | -4.5%                 |
| Landing Fees  | 157,817              | 144,179              | 166,805              | 9.5%                  | -13.6%                |
| Rented Buildings and Other  | 1,845,141            | 1,805,188            | 1,791,901            | 2.2%                  | 0.7%                  |
| Parking Lot Fees  | 508,467              | 482,454              | 475,964              | 5.4%                  | 1.4%                  |
| Fuel  | 71,693               | 67,581               | 53,499               | 6.1%                  | 26.3%                 |
| Other   | 264,188              | 268,666              | 254,360              | -1.7%                 | 5.6%                  |
|   | <u>2,985,599</u>     | <u>2,908,921</u>     | <u>2,890,004</u>     | 2.6%                  | 0.7%                  |
| Operating Expenses:   |                      |                      |                      |                       |                       |
| Personal Services   | 831,412              | 797,953              | 734,404              | 4.2%                  | 8.7%                  |
| Contractual Services  | 980,293              | 980,617              | 1,137,472            | 0.0%                  | -13.8%                |
| Commodities   | 232,175              | 228,217              | 249,346              | 1.7%                  | -8.5%                 |
| Other Charges   | 96,378               | 93,780               | 92,250               | 2.8%                  | 1.7%                  |
| Depreciation and Amortization   | 2,473,766            | 2,456,533            | 2,680,560            | 0.7%                  | -8.4%                 |
|   | <u>4,614,024</u>     | <u>4,557,100</u>     | <u>4,894,032</u>     | 1.2%                  | -6.9%                 |
| Operating Loss  | (1,628,425)          | (1,648,179)          | (2,004,028)          | 1.2%                  | 17.8%                 |
| Nonoperating Expenses, net  | (7,575)              | (69,608)             | (100,651)            | 89.1%                 | 30.8%                 |
| Decrease in Net Position before Capital Contributions, Grants and Charges           | (1,636,000)          | (1,717,787)          | (2,104,679)          | 4.8%                  | 18.4%                 |
| Capital Contributions, Grants and Charges   | <u>1,429,031</u>     | <u>3,437,563</u>     | <u>1,813,577</u>     | -58.4%                | 89.5%                 |
| Increase (Decrease) in Net Position after Capital Contributions, Grants and Charges | (206,969)            | 1,719,776            | (291,102)            | -112.0%               | -690.8%               |
| Total Net Position, Beginning of Year   | <u>40,535,955</u>    | <u>38,816,179</u>    | <u>39,107,281</u>    | 4.4%                  | -0.7%                 |
| Total Net Position, End of Year   | <u>\$ 40,328,986</u> | <u>\$ 40,535,955</u> | <u>\$ 38,816,179</u> | -0.5%                 | 4.4%                  |

## **Capital Assets**

### ***2019 Capital Projects***

*The following major projects and additions were completed during 2019:*

- ARFF station construction continued from 2017 with expenses of \$94,143 incurred in 2019. The project was completed in 2019 with collective total of \$4,004,112 building cost. The project was funded 90% with FAA funds, \$250,000 by state matching funds and a portion covered by PFC and airport funds.
- The Checkpoint remodel completed in 2019 with \$179,258 incurred in 2019. The project was completed with a total cost of \$182,978 funded by the Airport and state matching of \$84,758.
- Terminal furniture was added in 2019 with a cost of \$19,515, ARFF station furniture and fixtures totaling \$39,010, other office furniture and fixtures totaling \$16,571 and other assets totaling \$20,300.

*The following projects were started and underway at December 31, 2019:*

- Airport master plan update continued from 2018 with expenses of \$481,517 incurred in 2019. Conclusion of this project is projected for early 2020 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 2020.
- FAA funded projects which began in 2019 were the design phase for the runway overlay totaling \$177,214 and Taxiway A East lighting totaling \$83,117 in 2019.

### ***2018 Capital Projects***

*The following major projects and additions were completed during 2018:*

- Wildlife habitat mitigation/Spivey Creek drainage continued from 2014, with expenses of \$51,757 incurred in 2018. The project was completed in 2018 with collective total of \$506,974. The project was funded 100% with PFC funds.
- Hangars 3 & 4 roofs were seal coated at a total cost of \$61,215. The state provided funding of \$55,094.
- Equipment replacement included airfield pavement sweeper (\$134,378 with net \$127,707 after sale of old sweeper) and snow removal equipment (\$177,697) both with PFC funds; and flex-wing rotary cutter (\$22,307) with airport funds. Landscaping at the terminal building (\$18,267) and passenger seating (\$10,433) were added with airport funds.

***The following projects were started and underway at December 31, 2018:***

- ARFF station construction continued from 2017 with expenses of \$3,138,389 incurred in 2018 and the collective total through 2018 was \$3,616,357. Conclusion of this project is planned for early 2019 at the total cost of \$3,870,000. Project includes roadways near the facility. FAA will provide 90% funding for this project, with the balance expected to be funded by state reimbursement and PFC funds. In addition to the construction cost, furnishing and supplies are projected to be \$75,000, airport funded.
- Airport master plan update began during 2018 with \$235,507 incurred. Conclusion of this project is projected for early 2020 at total cost of \$778,929. FAA will provide 90% funding for this project; the balance is expected to be funded by state reimbursement in 2020.
- Security checkpoint remodel began in 2018 with \$6,000 incurred. Project conclusion is expected in 2019 at a total cost of \$91,000. Project will be airport funded.

**Debt Administration**

***2019 Compared to 2018***

Long-term debt was reduced by 11.1% as a result of the scheduled principal payments established by terms of the bonds.

***2018 Compared to 2017***

Long-term debt was reduced by 9.5% as a result of the scheduled principal payments established by terms of the bonds.

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

|                            | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>% Change<br/>2019-2018</b> | <b>% Change<br/>2018-2017</b> |
|----------------------------|--------------|--------------|--------------|-------------------------------|-------------------------------|
| Revenue Bonds Payable, Net | \$ 1,700,000 | \$ 1,910,000 | \$ 2,110,000 | -11.0%                        | -9.5%                         |
| Total Outstanding Debt     | \$ 1,700,000 | \$ 1,910,000 | \$ 2,110,000 |                               |                               |

Additional information on the Airport’s long-term debt can be found on pages 22 and 23 of this report.

**Economic Factors and Next Year’s Rates and Charges**

The Airport experienced 5.7% increase in enplaned passengers during 2019, for a total of 95,670 enplanements as compared to 90,501 in 2018 and 89,582 in 2017. Total aviation operations decreased 6.9% in 2019 for a total of 31,715 as compared to and 34,058 in 2018 and 40,301 in 2017.

The majority of the Airport’s revenues are derived from leases that are based on usage and percentages of gross receipts. The condition of the local economy is the most significant factor affecting these revenue streams.

## **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, 2019 and 2018**

|  | <b>2019</b>       | <b>2018</b>       |
|--|-------------------|-------------------|
| <b>Current Assets</b>  |                   |                   |
| Cash   | \$ 1,687,709      | \$ 2,369,577      |
| Restricted cash equivalents  | 87,357            | 78,100            |
| Certificates of deposit  | 2,672,700         | 1,412,627         |
| Accounts receivable, net of allowance;<br>2019-\$3,650; 2018-\$3,650 | 130,208           | 95,948            |
| Passenger facility charges receivable                                | 62,475            | 57,765            |
| Intergovernmental receivable   | 157,988           | 551,931           |
| Inventories  | 38,186            | 61,864            |
| Prepaid expenses   | 72,663            | 67,284            |
| Interest receivable  | 42,146            | 18,149            |
|  | <b>4,951,432</b>  | <b>4,713,245</b>  |
| <b>Noncurrent Assets</b>   |                   |                   |
| Restricted cash  | 81,581            | 1,766             |
| Certificates of deposit  | 800,000           | 650,235           |
| Restricted certificates of deposit                                   | 305,658           | 305,658           |
| Capital assets, not being depreciated                                | 7,831,515         | 10,986,876        |
| Capital assets, being depreciated, net                               | 28,341,632        | 26,533,801        |
|  | <b>37,360,386</b> | <b>38,478,336</b> |
|  | <b>42,311,818</b> | <b>43,191,581</b> |
| <b>Deferred Outflows of Resources</b>                                |                   |                   |
| Deferred amounts on refunded bonds                                   | 55,665            | 70,807            |
|  | <b>55,665</b>     | <b>70,807</b>     |

|   | <b>2019</b>          | <b>2018</b>          |
|---|----------------------|----------------------|
| <b>Current Liabilities</b>                |                      |                      |
| <b>Payable From Unrestricted Assets</b>   |                      |                      |
| Accounts payable                          | \$ 160,993           | \$ 642,938           |
| Accrued expenses and other                | 102,629              | 99,478               |
| Accounts payable – related party          | 21                   | 9,000                |
| Current maturity of revenue bonds payable | 215,000              | 210,000              |
| Unearned revenue                          | 74,854               | 65,017               |
|   | <u>553,497</u>       | <u>1,026,433</u>     |
| Total current liabilities payable         |                      |                      |
| <b>Noncurrent Liabilities</b>             |                      |                      |
| Revenue bonds payable                     | <u>1,485,000</u>     | <u>1,700,000</u>     |
|   |                      |                      |
| Total liabilities                         | <u>2,038,497</u>     | <u>2,726,433</u>     |
| <b>Net Position</b>                       |                      |                      |
| Net investment in capital assets          | <u>34,528,812</u>    | <u>35,681,484</u>    |
| Restricted for                            |                      |                      |
| Expendable                                |                      |                      |
| Bond reserves                             | 393,015              | 383,758              |
| Capital expenditures                      | 62,475               | 57,765               |
|   | <u>455,490</u>       | <u>441,523</u>       |
| Total restricted net position             |                      |                      |
| Unrestricted                              | <u>5,344,684</u>     | <u>4,412,948</u>     |
|   |                      |                      |
| Total net position                        | <u>\$ 40,328,986</u> | <u>\$ 40,535,955</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, 2019 and 2018**

|   | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| <b>Operating Revenues</b>   |               |               |
| Flowage fees  | \$ 138,293    | \$ 140,853    |
| Landing fees  | 157,817       | 144,179       |
| Rented buildings and other  | 1,845,141     | 1,805,188     |
| Parking lot fees  | 508,467       | 482,454       |
| Fuel  | 71,693        | 67,581        |
| Other   | 264,188       | 268,666       |
| Total operating revenues  | 2,985,599     | 2,908,921     |
| <b>Operating Expenses</b>   |               |               |
| Personal services   | 831,412       | 797,953       |
| Contractual services  | 980,293       | 980,617       |
| Commodities   | 232,175       | 228,217       |
| Other charges   | 96,378        | 93,780        |
| Depreciation and amortization   | 2,473,766     | 2,456,533     |
| Total operating expenses  | 4,614,024     | 4,557,100     |
| <b>Operating Loss</b>   | (1,628,425)   | (1,648,179)   |
| <b>Nonoperating Revenues (Expenses)</b>                                 |               |               |
| Investment income   | 101,075       | 48,325        |
| Interest expense  | (108,650)     | (117,933)     |
| Net nonoperating expenses   | (7,575)       | (69,608)      |
| <b>Decrease in Net Position Before Capital Contributions and Grants</b> | (1,636,000)   | (1,717,787)   |
| <b>Capital Contributions and Grants</b>                                 |               |               |
| Passenger facility charges  | 379,561       | 345,902       |
| Federal, state and local grants   | 1,049,470     | 3,091,661     |
| Total capital contributions and grants                                  | 1,429,031     | 3,437,563     |
| <b>Increase (Decrease) in Net Position</b>                              | (206,969)     | 1,719,776     |
| <b>Net Position, Beginning of Year</b>                                  | 40,535,955    | 38,816,179    |
| <b>Net Position, End of Year</b>  | \$ 40,328,986 | \$ 40,535,955 |

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| <b>Operating Activities</b>                                 |                     |                     |
| Cash receipts from customers and users                      | \$ 2,951,339        | \$ 2,919,987        |
| Cash payments to vendors for goods and services             | (1,246,797)         | (1,292,198)         |
| Cash payments for employee services                         | <u>(827,805)</u>    | <u>(790,093)</u>    |
| Net cash provided by operating activities                   | <u>876,737</u>      | <u>837,696</u>      |
| <b>Capital and Related Financing Activities</b>             |                     |                     |
| Principal payments on bonds payable                         | (210,000)           | (200,000)           |
| Interest paid   | (94,569)            | (98,468)            |
| Acquisition and construction of capital assets              | (1,650,468)         | (3,443,267)         |
| Passenger facility charges received                         | 374,851             | 346,760             |
| Capital grants received                                     | <u>1,443,413</u>    | <u>2,672,972</u>    |
| Net cash used in capital and related financing activities   | <u>(136,773)</u>    | <u>(722,003)</u>    |
| <b>Investing Activities</b>                                 |                     |                     |
| Purchase of investments                                     | (3,778,358)         | (2,168,519)         |
| Proceeds from sales and maturities of investments           | 2,368,520           | 2,200,044           |
| Income received on investments and cash equivalents         | <u>77,078</u>       | <u>38,959</u>       |
| Net cash provided by (used in) investing activities         | <u>(1,332,760)</u>  | <u>70,484</u>       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | (592,796)           | 186,177             |
| <b>Cash and Cash Equivalents, Beginning of Year</b>         | <u>2,449,443</u>    | <u>2,263,266</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>               | <u>\$ 1,856,647</u> | <u>\$ 2,449,443</u> |
| <b>Presented on the Statements of Net Position</b>          |                     |                     |
| Current assets - cash                                       | \$ 1,687,709        | \$ 2,369,577        |
| Current assets - restricted cash equivalents                | 87,357              | 78,100              |
| Noncurrent assets - restricted cash                         | <u>81,581</u>       | <u>1,766</u>        |
|   | <u>\$ 1,856,647</u> | <u>\$ 2,449,443</u> |

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| <b>Reconciliation of Operating Loss to Net Cash Provided by</b> |                   |                   |
| <b>Operating Activities</b>                                     |                   |                   |
| Operating loss  | \$ (1,628,425)    | \$ (1,648,179)    |
| Items not requiring cash  |                   |                   |
| Depreciation and amortization                                   | 2,473,766         | 2,456,533         |
| Changes in  |                   |                   |
| Accounts receivable   | (34,260)          | 11,066            |
| Inventories   | 23,678            | (7,683)           |
| Prepaid expenses  | (5,379)           | (2,493)           |
| Accounts payable and accrued liabilities                        | <u>47,357</u>     | <u>28,452</u>     |
| Net cash provided by operating activities                       | <u>\$ 876,737</u> | <u>\$ 837,696</u> |
| <b>Noncash Capital and Related Financing Activities:</b>        |                   |                   |
| Capital assets acquired through payables                        | <u>\$ 90,889</u>  | <u>\$ 615,121</u> |

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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.

***Cash and Cash Equivalents***

The Airport considers all liquid investments with original maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consist of money market funds held by brokers.

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

***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.

***Accounts Receivable***

The Airport accrues revenue for fees and charges earned but not yet billed as of year-end.

***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, 2019 and 2018**

***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.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

A deferred inflow of resources is an acquisition of net position by the airport that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the Airport that is applicable to a future period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the airport consist of the deferred charge on bond refunding.

Deferred amounts on refunded bonds are being amortized into interest expense using the interest method over the shorter of the life of the refunded or refunding bonds.

***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.



**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

***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.

***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. As of February 2008, the charge increased from \$3.00 to \$4.50 per enplaned passenger. 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 \$379,561 and \$345,902 for 2019 and 2018, respectively.

***Subsequent Events***

Subsequent events have been evaluated through February 17, 2020, which is the date the financial statements were available to be issued.

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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, 2019 and 2018, none of the Airport's bank balances of \$5,737,425 and \$4,805,176, respectively, were exposed to custodial credit risk.

***Investments***

State statutes authorize the Airport to invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and in bank repurchase agreements. At December 31, 2019 and 2018, the Airport had the following investments and maturities:

| December 31, 2019  |                  |                     |             |             |              |
|--------------------|------------------|---------------------|-------------|-------------|--------------|
| Type               | Cost             | Maturities in Years |             |             |              |
|                    |                  | Less than 1         | 1-5         | 6-10        | More than 10 |
| Money market funds | \$ 87,357        | \$ 87,357           | \$ -        | \$ -        | \$ -         |
|                    | <u>\$ 87,357</u> | <u>\$ 87,357</u>    | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>  |
| December 31, 2018  |                  |                     |             |             |              |
| Type               | Cost             | Maturities in Years |             |             |              |
|                    |                  | Less than 1         | 1-5         | 6-10        | More than 10 |
| Money market funds | \$ 78,100        | \$ 78,100           | \$ -        | \$ -        | \$ -         |
|                    | <u>\$ 78,100</u> | <u>\$ 78,100</u>    | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>  |

Interest Rate Risk – The Airport's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Airport's investments at December 31, 2019 and 2018 are securities issued or backed by the U.S. Government. At December 31, 2019 and 2018, the Airport's investments not directly guaranteed by the U.S. government were rated as follows:

| <u>Investment Type</u>    | <u>Rating Agency</u> | <u>Rating</u> |
|---------------------------|----------------------|---------------|
| Money Market Mutual Funds | S&P/Moody's          | AAA/Aaa       |

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2019, all of the Airport's investments were held by counterparties in the Airport's name.

Concentration of Credit Risk – The Airport places no limit on the amount that may be invested in any one issuer.

**Summary of Carrying Values**

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

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Carrying value   |                     |                     |
| Deposits   | \$ 5,547,648        | \$ 4,739,863        |
| Investments  | <u>87,357</u>       | <u>78,100</u>       |
|  | <u>\$ 5,635,005</u> | <u>\$ 4,817,963</u> |
| Included in the following statement of net position captions |                     |                     |
| Current cash   | \$ 1,687,709        | \$ 2,369,577        |
| Current restricted cash equivalents                          | 87,357              | 78,100              |
| Current certificates of deposit                              | 2,672,700           | 1,412,627           |
| Noncurrent restricted cash                                   | 81,581              | 1,766               |
| Noncurrent certificates of deposit                           | 800,000             | 650,235             |
| Noncurrent restricted certificates of deposit                | <u>305,658</u>      | <u>305,658</u>      |
|  | <u>\$ 5,635,005</u> | <u>\$ 4,817,963</u> |

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

***Restricted Cash, Cash Equivalents and Investment Securities***

Cash, cash equivalents and investment securities are restricted as follows:

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| Revenue bond interest and principal funds | \$ 87,357         | \$ 78,100         |
| Revenue bond reserve funds                | 305,658           | 305,658           |
| Passenger facility charge fund            | <u>81,581</u>     | <u>1,766</u>      |
|   | <u>\$ 474,596</u> | <u>\$ 385,524</u> |

***Investment Income***

Investment income for the years ended December 31, 2019 and 2018, consisted of:

|                              | <u>2019</u>       | <u>2018</u>      |
|------------------------------|-------------------|------------------|
| Interest and dividend income | \$ 99,604         | \$ 47,164        |
| Gas royalties                | <u>1,471</u>      | <u>1,161</u>     |
|                              | <u>\$ 101,075</u> | <u>\$ 48,325</u> |

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 3: Capital Assets**

A summary of changes in capital assets for the years ended December 31, 2019 and 2018, is as follows:

|  | 2019                 |                                  |                                      | Ending<br>Balance |
|--|----------------------|----------------------------------|--------------------------------------|-------------------|
|  | Beginning<br>Balance | Transfers In<br>and<br>Additions | Transfers<br>Out<br>and<br>Disposals |                   |
| Capital assets, not being depreciated:       |                      |                                  |                                      |                   |
| Land   | \$ 6,831,680         | \$ -                             | \$ -                                 | \$ 6,831,680      |
| Construction in progress                     | 4,155,196            | 764,328                          | (3,919,689)                          | 999,835           |
| Total capital assets, not being depreciated  | 10,986,876           | 764,328                          | (3,919,689)                          | 7,831,515         |
| Capital assets, being depreciated:           |                      |                                  |                                      |                   |
| Buildings and building improvements          | 22,159,231           | 4,187,090                        | -                                    | 26,346,321        |
| Runways and other airport infrastructure     | 55,412,227           | -                                | -                                    | 55,412,227        |
| Equipment, furniture and fixtures and other  | 12,572,234           | 95,396                           | (149,765)                            | 12,517,865        |
| Total capital assets, being depreciated      | 90,143,692           | 4,282,486                        | (149,765)                            | 94,276,413        |
| Less accumulated depreciation for:           |                      |                                  |                                      |                   |
| Buildings and building improvements          | (13,983,843)         | (614,614)                        | -                                    | (14,598,457)      |
| Runways and other airport infrastructure     | (39,442,533)         | (1,538,285)                      | -                                    | (40,980,818)      |
| Equipment, furniture and fixtures and other  | (10,183,515)         | (320,867)                        | 148,876                              | (10,355,506)      |
| Total accumulated depreciation               | (63,609,891)         | (2,473,766)                      | 148,876                              | (65,934,781)      |
| Total capital assets, being depreciated, net | 26,533,801           | 1,808,720                        | (889)                                | 28,341,632        |
| Capital assets, net                          | \$ 37,520,677        | \$ 2,573,048                     | \$ (3,920,578)                       | \$36,173,147      |

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

|  | 2018                 |                                  |                                      |                   |
|--|----------------------|----------------------------------|--------------------------------------|-------------------|
|  | Beginning<br>Balance | Transfers In<br>and<br>Additions | Transfers<br>Out<br>and<br>Disposals | Ending<br>Balance |
| Capital assets, not being depreciated:       |                      |                                  |                                      |                   |
| Land   | \$ 6,324,706         | \$ 506,974                       | \$ -                                 | \$ 6,831,680      |
| Construction in progress                     | 1,247,870            | 3,383,616                        | (476,290)                            | 4,155,196         |
| Total capital assets, not being depreciated  | 7,572,576            | 3,890,590                        | (476,290)                            | 10,986,876        |
| Capital assets, being depreciated:           |                      |                                  |                                      |                   |
| Buildings and building improvements          | 22,091,548           | 67,683                           | -                                    | 22,159,231        |
| Runways and other airport infrastructure     | 55,412,227           | -                                | -                                    | 55,412,227        |
| Equipment, furniture and fixtures and other  | 12,295,921           | 387,120                          | (110,807)                            | 12,572,234        |
| Total capital assets, being depreciated      | 89,799,696           | 454,803                          | (110,807)                            | 90,143,692        |
| Less accumulated depreciation for:           |                      |                                  |                                      |                   |
| Buildings and building improvements          | (13,483,822)         | (500,021)                        | -                                    | (13,983,843)      |
| Runways and other airport infrastructure     | (37,800,339)         | (1,642,194)                      | -                                    | (39,442,533)      |
| Equipment, furniture and fixtures and other  | (9,979,623)          | (314,318)                        | 110,426                              | (10,183,515)      |
| Total accumulated depreciation               | (61,263,784)         | (2,456,533)                      | 110,426                              | (63,609,891)      |
| Total capital assets, being depreciated, net | 28,535,912           | (2,001,730)                      | (381)                                | 26,533,801        |
| Capital assets, net                          | \$ 36,108,488        | \$ 1,888,860                     | \$ (476,671)                         | \$37,520,677      |

**Construction Commitments**

As of December 31, 2019, the Airport has construction commitments which include the master plan update, runway overlay design and Taxiway A East lighting, among other commitments. As of December 31, 2019 and 2018, outstanding construction commitments totaled \$1,099,290 and \$1,719,212, respectively.

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 4: Long-term Liabilities**

The following is a summary of long-term liabilities for the years ended December 31, 2019 and 2018:

|                       | <b>2019</b>                  |                  |                   |                           |                            |
|-----------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
|                       | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Due in<br/>One Year</b> |
| Revenue bonds payable | \$ 1,910,000                 | \$ -             | \$ (210,000)      | \$ 1,700,000              | \$ 215,000                 |
|                       | <b>2018</b>                  |                  |                   |                           |                            |
|                       | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Due in<br/>One Year</b> |
| Revenue bonds payable | \$ 2,110,000                 | \$ -             | \$ (200,000)      | \$ 1,910,000              | \$ 210,000                 |

***Revenue Bonds Payable***

On August 2, 2011, the City issued \$3,205,000 of Airport Refunding Revenue Bonds, Series 2011, on behalf of the Commission to refund on a current basis the remaining outstanding Airport Refunding and Improvement Revenue Bonds, Series 1999, and to pay expenses and fund the reserves of the issuance of the Series 2011 bonds.

The Series 2011 bonds (the Bonds) bear interest at 1.50% to 5.35%. The Bonds are payable in annual installments through October 1, 2026. All of the Bonds still outstanding may be redeemed at the Airport's option on or after October 1, 2020. The redemption price is equal to the principal amount being redeemed plus accrued interest to the redemption date. The Bonds are secured by all revenues from the operation of the Airport.

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

The debt service requirements as of December 31, 2019, are as follows:

| Year Ending<br>December 31, | Principal           | Interest          | Total               |
|-----------------------------|---------------------|-------------------|---------------------|
| 2020                        | \$ 215,000          | \$ 85,328         | \$ 300,328          |
| 2021                        | 225,000             | 75,330            | 300,330             |
| 2022                        | 240,000             | 64,530            | 304,530             |
| 2023                        | 250,000             | 52,770            | 302,770             |
| 2024                        | 260,000             | 40,270            | 300,270             |
| 2025-2026                   | 510,000             | 39,582            | 549,582             |
|                             | <u>\$ 1,700,000</u> | <u>\$ 357,810</u> | <u>\$ 2,057,810</u> |

**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, 2019 and 2018, was \$2,353,608 and \$2,287,642, respectively.

Minimum future rentals on noncancellable operating leases in each of the next five years and thereafter as of December 31, 2019 are as follows:

|            |                     |
|------------|---------------------|
| 2020       | \$ 1,612,332        |
| 2021       | 946,188             |
| 2022       | 552,879             |
| 2023       | 451,330             |
| 2024       | 247,661             |
| Thereafter | <u>3,968,971</u>    |
|            | <u>\$ 7,779,361</u> |

Contingent rentals and fees aggregated approximately \$672,947 in 2019 and \$642,144 in 2018, and are accrued in arrears.

American Airlines and Delta Air Lines lease space for their operations for approximately \$319,000 per year. If the airlines choose to discontinue service, the financial impact on the Airport would be significant.



**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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 \$36,000 and \$34,000 for 2019 and 2018, respectively.

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, 2019, there were no material required contributions. The complete disclosures required by GASB 75 are included in the City of Fort Smith's Comprehensive Annual Financial Report (CAFR).

**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 2019 and 2018, 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 bills the Airport monthly for the insurance premiums and bi-weekly for the retirement plan contributions. 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, 2019 and 2018, \$21 and \$9,000, respectively, was payable each year to the City for payroll disbursements, insurance premiums, and retirement contributions.

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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.

## **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, 2019**

|                                    | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance</b> |
|------------------------------------|-------------------------|------------------|-----------------|
| <b>Operating Revenues</b>          |                         |                  |                 |
| <b>Flowage Fees</b>                |                         |                  |                 |
| FBO                                | \$ 125,000              | \$ 124,712       | \$ (288)        |
| Corporate                          | 16,000                  | 13,581           | (2,419)         |
|                                    | <u>141,000</u>          | <u>138,293</u>   | <u>(2,707)</u>  |
| <b>Landing Fees</b>                |                         |                  |                 |
| Airlines                           | 145,000                 | 156,680          | 11,680          |
| FBO                                | 1,000                   | 1,137            | 137             |
|                                    | <u>146,000</u>          | <u>157,817</u>   | <u>11,817</u>   |
| <b>Rented Buildings and Other</b>  |                         |                  |                 |
| Airlines                           | 173,000                 | 173,434          | 434             |
| Car rental                         | 516,000                 | 548,728          | 32,728          |
| Restaurant                         | 1,000                   | -                | (1,000)         |
| Other terminal and office          | 2,100                   | 2,190            | 90              |
| Displays                           | 54,000                  | 54,364           | 364             |
| TSA                                | 49,000                  | 49,236           | 236             |
| FBO                                | 283,000                 | 288,598          | 5,598           |
| SASO                               | 59,000                  | 62,081           | 3,081           |
| T - Hangars                        | 74,000                  | 73,772           | (228)           |
| Corporate                          | 130,800                 | 129,273          | (1,527)         |
| Commercial leases                  | 468,500                 | 463,465          | (5,035)         |
|                                    | <u>1,810,400</u>        | <u>1,845,141</u> | <u>34,741</u>   |
| <b>Parking Lot Fees</b>            | <u>470,000</u>          | <u>508,467</u>   | <u>38,467</u>   |
| <b>Fuel</b>                        | <u>63,000</u>           | <u>71,693</u>    | <u>8,693</u>    |
| <b>Other</b>                       |                         |                  |                 |
| Auto gas – rental car and airlines | 61,200                  | 49,857           | (11,343)        |
| Miscellaneous                      | 102,000                 | 104,831          | 2,831           |
| LEO cost reimbursement             | 109,500                 | 109,500          | -               |
|                                    | <u>272,700</u>          | <u>264,188</u>   | <u>(8,512)</u>  |
| Total operating revenues           | <u>2,903,100</u>        | <u>2,985,599</u> | <u>82,499</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, 2019**

|                                | <b>Final<br/>Budget</b> | <b>Actual</b>  | <b>Variance</b> |
|--------------------------------|-------------------------|----------------|-----------------|
| <b>Operating Expenses</b>      |                         |                |                 |
| Personal services              |                         |                |                 |
| Salaries regular               | \$ 666,300              | \$ 660,046     | \$ 6,254        |
| Salaries overtime              | 7,000                   | 4,938          | 2,062           |
| Longevity                      | 2,400                   | 1,707          | 693             |
| FICA airport contribution      | 51,600                  | 48,226         | 3,374           |
| FUTA unemployment              | 16,100                  | -              | 16,100          |
| Health coverage and wellness   | 76,200                  | 68,069         | 8,131           |
| Dental                         | 7,300                   | 7,012          | 288             |
| Disability                     | 3,500                   | 3,214          | 286             |
| Life                           | 1,500                   | 984            | 516             |
| Vision                         | 1,300                   | 1,191          | 109             |
| Retirement                     | 36,100                  | 36,025         | 75              |
|                                | <u>869,300</u>          | <u>831,412</u> | <u>37,888</u>   |
| Contractual services           |                         |                |                 |
| Electricity                    | 147,200                 | 143,932        | 3,268           |
| Gas                            | 80,400                  | 69,793         | 10,607          |
| Water and sewer                | 39,400                  | 43,464         | (4,064)         |
| Telephone                      | 12,600                  | 9,585          | 3,015           |
| Printing and advertisement     | 3,500                   | 966            | 2,534           |
| Postage and shipping           | 2,000                   | 2,336          | (336)           |
| Travel and training            | 29,500                  | 28,130         | 1,370           |
| Airport marketing/development  | 55,000                  | 38,945         | 16,055          |
| Airport business               | 10,000                  | 7,073          | 2,927           |
| Professional services          | 30,000                  | 22,931         | 7,069           |
| Technical services             | 30,000                  | 24,019         | 5,981           |
| Legal services                 | 25,000                  | 5,490          | 19,510          |
| Maintenance/repair – buildings | 120,000                 | 84,747         | 35,253          |
| Maintenance/repair – fences    | 3,000                   | 3,229          | (229)           |
| Maintenance/repair – pavement  | 70,000                  | 54,094         | 15,906          |
| Maintenance/repair – equipment | 90,500                  | 103,059        | (12,559)        |
| Maintenance/repair - Wash Bay  | -                       | 2,198          | (2,198)         |
| Maintenance/repair – displays  | -                       | 19             | (19)            |
| Other contractual services     | 97,500                  | 100,488        | (2,988)         |
| LEO cost reimbursement         | 109,500                 | 109,500        | -               |
| Audit and financial services   | 46,000                  | 43,804         | 2,196           |
| Commercial leases              | 82,500                  | 82,491         | 9               |
|                                | <u>1,083,600</u>        | <u>980,293</u> | <u>103,307</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, 2019**

|   | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance</b> |
|---|-------------------------|------------------|-----------------|
| <b>Commodities</b>                            |                         |                  |                 |
| Office and duplicating supplies               | \$ 2,750                | \$ 2,855         | \$ (105)        |
| Motor fuels and lubricants                    | 24,600                  | 20,128           | 4,472           |
| Chemicals                                     | 37,550                  | 20,792           | 16,758          |
| Janitorial supplies                           | 25,500                  | 21,898           | 3,602           |
| Materials                                     | 16,100                  | 12,539           | 3,561           |
| Other commodities                             | 24,500                  | 17,793           | 6,707           |
| Clothing and supplies                         | 4,700                   | 3,826            | 874             |
| Tools   | 4,700                   | 3,497            | 1,203           |
| Trees and plants                              | 6,000                   | 262              | 5,738           |
| Gas for resale                                | 58,000                  | 48,530           | 9,470           |
| Aviation fuel for resale                      | 59,000                  | 62,856           | (3,856)         |
| Field lighting                                | 25,000                  | 17,199           | 7,801           |
|   | <u>288,400</u>          | <u>232,175</u>   | <u>56,225</u>   |
| <b>Other charges</b>                          |                         |                  |                 |
| Commercial property insurance                 | 47,000                  | 44,494           | 2,506           |
| Airport liability insurance                   | 8,100                   | 7,473            | 627             |
| Officers and directors insurance              | 6,900                   | 6,700            | 200             |
| Vehicle insurance                             | 13,700                  | 13,520           | 180             |
| Workers compensation insurance                | 12,000                  | 11,722           | 278             |
| Dues and subscriptions                        | 6,300                   | 4,220            | 2,080           |
| Miscellaneous charges                         | 5,500                   | (1,989)          | 7,489           |
| Payroll processing fees                       | 3,700                   | 3,163            | 537             |
| Property and use taxes                        | 6,700                   | 7,075            | (375)           |
|   | <u>109,900</u>          | <u>96,378</u>    | <u>13,522</u>   |
| Total operating expenses                      | <u>2,351,200</u>        | <u>2,140,258</u> | <u>210,942</u>  |
| <b>Operating Income</b>                       | <u>551,900</u>          | <u>845,341</u>   | <u>128,443</u>  |
| <b>Nonoperating Revenues (Expenses)</b>       |                         |                  |                 |
| <b>Investment income</b>                      |                         |                  |                 |
| Interest – operating fund                     | 70,000                  | 66,004           | (3,996)         |
| Interest – bond reserve                       | -                       | 10,761           | 10,761          |
| Interest – PFC funds reserved                 | 100                     | 6                | (94)            |
| Interest – projects fund                      | 21,000                  | 22,833           | 1,833           |
| Gas royalties                                 | 2,000                   | 1,471            | (529)           |
|   | <u>93,100</u>           | <u>101,075</u>   | <u>7,975</u>    |
| Interest expense                              | <u>(111,150)</u>        | <u>(108,650)</u> | <u>2,500</u>    |
| <b>Total Nonoperating Revenues (Expenses)</b> | <u>(18,050)</u>         | <u>(7,575)</u>   | <u>10,475</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, 2019**

|  | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance</b>   |
|--|-------------------------|-------------------|-------------------|
| <b>Increase in Net Position Before Capital<br/>Contributions and Grants</b>                        | <u>\$ 533,850</u>       | <u>\$ 837,766</u> | <u>\$ 138,918</u> |
| <b>Capital Contributions and Grants</b>  |                         |                   |                   |
| Passenger facility charges   | 350,000                 | 379,561           | 29,561            |
| Federal, state and local grants  |                         |                   |                   |
| Federal grants   | 865,418                 | 714,712           | (150,706)         |
| State grants   | <u>339,500</u>          | <u>334,758</u>    | <u>(4,742)</u>    |
|  | <u>1,204,918</u>        | <u>1,049,470</u>  | <u>(155,448)</u>  |
|  | <u>1,554,918</u>        | <u>1,429,031</u>  | <u>(125,887)</u>  |
| <b>Increase in Net Position Before Bond Principal<br/>Payments and Capital Outlay Expenditures</b> | <u>2,088,768</u>        | <u>2,266,797</u>  | <u>13,031</u>     |
| Bond principal payments  | 211,250                 | 210,000           | 1,250             |
| Capital outlay expenditures  | <u>1,332,443</u>        | <u>1,125,346</u>  | <u>207,097</u>    |
|  | <u>1,543,693</u>        | <u>1,335,346</u>  | <u>208,347</u>    |
| <b>Increase (Decrease) in Net Position,<br/>Budgetary Basis</b>                                    | <u>\$ 545,075</u>       | <u>\$ 931,451</u> | <u>\$ 221,378</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, 2019**

**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, 2019, are as follows:

|   |                     |
|---|---------------------|
| Operating expenses – Budgetary Basis, December 31, 2019   | \$ 2,140,258        |
| Depreciation and amortization expense   | <u>2,473,766</u>    |
| Operating expenses – Statements of Revenues, Expenses and<br>Changes in Net Position, December 31, 2019 | <u>\$ 4,614,024</u> |



**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, 2019**

|  | <b>Date<br/>Approved</b> | <b>Amount<br/>Approved</b> | <b>Cumulative<br/>Total -<br/>December 31,<br/>2018</b> |
|--|--------------------------|----------------------------|---|
| <b>Revenues</b>  |                          |                            |   |
| Passenger facility charge revenues received                      |                          |                            | \$ 7,232,660  |
| Interest earned  |                          |                            | 166,446   |
|  |                          |                            | <u>\$ 7,399,106</u>                                     |
| <b>Expenditures</b>  |                          |                            |   |
| PFC projects completed prior to 2007                             | 7/24/1997                | \$ 3,279,122               | \$ 3,279,122  |
| <b>Application 06-03</b>   |                          |                            |   |
| 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>  |
| <b>Application 07-04</b>   |                          |                            |   |
| Boarding Bridge Installation                                     | 11/20/2007               | 877,533                    | 877,533   |
| Flight Information Display System                                | 11/20/2007               | 85,261                     | 85,262  |
| Security System Improvements                                     | 11/20/2007               | 279,268                    | 279,268   |
| PFC Administration Costs   | 11/20/2007               | 68,046                     | 68,045  |
|  |                          | <u>1,310,108</u>           | <u>1,310,107</u>  |
| <b>Application 12-05</b>   |                          |                            |   |
| 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  |
| Braking 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>  |
| <b>Application 18-06</b>   |                          |                            |   |
| 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                    | 159,112   |
| Acquire Runway Sweeper   | 1/17/2018                | 140,000                    | 126,707   |
| RW 7-25 Rehab (Crack Repair, Seal Coat, Remark & Renum)          | 1/17/2018                | 120,000                    | -   |
| ARFF Facility Design & Construction                              | 1/17/2018                | 290,000                    | -   |
| 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                    | 8,210   |
| PFC Program Mgmt.  | 1/17/2018                | 100,000                    | 34,958  |
|  |                          | <u>1,963,434</u>           | <u>756,943</u>  |
| Total passenger facility charge revenue expended                 |                          | <u>\$ 8,605,594</u>        | <u>\$ 7,399,102</u>                                     |

| Quarters Ended    |                  |                       |                      | Year<br>Ended<br>December 31,<br>2019 | Cumulative<br>Total -<br>December 31,<br>2019 |
|-------------------|------------------|-----------------------|----------------------|---------------------------------------|---|
| March 31,<br>2019 | June 30,<br>2019 | September 30,<br>2019 | December 31,<br>2019 |                                       |   |
| \$ 80,547         | \$ 95,893        | \$ 97,027             | \$ 101,384           | \$ 374,851                            | \$ 7,607,511                                  |
| -                 | -                | -                     | 7                    | 7                                     | 166,453                                       |
| <u>\$ 80,547</u>  | <u>\$ 95,893</u> | <u>\$ 97,027</u>      | <u>\$ 101,391</u>    | <u>\$ 374,858</u>                     | <u>\$ 7,773,964</u>                           |
| \$ -              | \$ -             | \$ -                  | \$ -                 | \$ -                                  | \$ 3,279,122                                  |
| -                 | -                | -                     | -                    | -                                     | 128,515                                       |
| -                 | -                | -                     | -                    | -                                     | 280,734                                       |
| -                 | -                | -                     | -                    | -                                     | 200,000                                       |
| -                 | -                | -                     | -                    | -                                     | 123,270                                       |
| -                 | -                | -                     | -                    | -                                     | 732,519                                       |
| -                 | -                | -                     | -                    | -                                     | 877,533                                       |
| -                 | -                | -                     | -                    | -                                     | 85,262  |
| -                 | -                | -                     | -                    | -                                     | 279,268                                       |
| -                 | -                | -                     | -                    | -                                     | 68,045  |
| -                 | -                | -                     | -                    | -                                     | 1,310,107                                     |
| -                 | -                | -                     | -                    | -                                     | 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                                     |
| -                 | -                | -                     | -                    | -                                     | 54,770  |
| -                 | -                | -                     | -                    | -                                     | 39,621  |
| -                 | -                | -                     | -                    | -                                     | 333,565                                       |
| 80,547            | 66,237           | -                     | -                    | 146,784                               | 305,896                                       |
| -                 | -                | -                     | -                    | -                                     | 126,707                                       |
| -                 | -                | -                     | -                    | -                                     | -   |
| -                 | 22,347           | 94,516                | -                    | 116,863                               | 116,863                                       |
| -                 | -                | -                     | -                    | -                                     | -   |
| -                 | -                | -                     | -                    | -                                     | -   |
| -                 | -                | -                     | -                    | -                                     | -   |
| -                 | -                | -                     | -                    | -                                     | 8,210   |
| -                 | 7,309            | 2,511                 | 19,860               | 29,680                                | 64,638  |
| <u>80,547</u>     | <u>95,893</u>    | <u>97,027</u>         | <u>19,860</u>        | <u>293,327</u>                        | <u>1,050,270</u>                              |
| <u>\$ 80,547</u>  | <u>\$ 95,893</u> | <u>\$ 97,027</u>      | <u>\$ 19,860</u>     | <u>\$ 293,327</u>                     | <u>\$ 7,692,429</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, 2019**

***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, 2019.
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.
6. 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.

## **Statistical Section**

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Selected Airport Operations Information**  
**Year Ended December 31, 2019**

**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 2019:

| Total Year | U. S. Domestic Enplanements | Airport % of Enplanements | U. S. Primary Airports |
|------------|-----------------------------|---------------------------|------------------------|
| 2019       | 95,670                      | Not available             | Not available          |
| 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                      | 2019 Passenger Enplanements | 2019 Market Share |
|-------------------------------|-----------------------------|-------------------|
| American Airlines             | 69,096                      | 59%               |
| Express Jet (Delta Air lines) | 26,574                      | 41%               |
|                               | <u>95,670</u>               | <u>100%</u>       |

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

**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, 2019**

Fort Smith based airlines include American Airlines and Delta Air Lines. The airlines lease agreements are equivalent in material respects, and include 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 2019 rental rate of space for the exclusive use areas was \$20.95 per square foot per year and non-exclusive use areas was \$15.45 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                  |
| ABB - Baldor Electric Company          | Corporate aviation department                  |
| Dude, Inc.                             | Corporate aviation department                  |
| Peterson Air                           | Corporate aviation department                  |
| USAF (188 <sup>th</sup> Wing)          | MQ-9 MCE, governmental agency                  |
| ABS Avionics                           | Specialty aviation service organization        |
| Franklin County Aviation               | Specialty aviation service organization        |
| Rogers Aviation                        | Specialty aviation service organization        |
| Southern Eagle Aviation                | 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                           |
| W.E.Y. dba Art's BBQ                   | Restaurant                                     |
| 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 Fort Smith Regional Airport, a component unit of the City of Fort Smith, Arkansas (the Airport), which comprise the statement of net position as of December 31, 2019, 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, 2020.

#### ***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) to determine the 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.



***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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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**

Fort Smith, Arkansas  
February 17, 2020

## **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**

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, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance of the Airport based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the passenger facility charge program. However, our audit does not provide a legal determination of the Airport's compliance.

***Opinion on Passenger Facility Charge Program***

In our opinion, Fort Smith Regional Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2019.

**Report on Internal Control Over Compliance**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**

Fort Smith, Arkansas  
February 17, 2020

**Fort Smith Regional Airport**  
**A Component Unit of the City of Fort Smith, Arkansas**  
**Passenger Facility Charges Audit Summary**  
**Year Ended December 31, 2019**

- |     |   |                     |               |
|-----|---|---------------------|---------------|
| 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, 2019**

*Findings Required to be Reported by the Guide*

| Reference<br>Number | Finding | Questioned Costs |
|---------------------|---------|------------------|
|---------------------|---------|------------------|

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, 2019**

| <b>Reference<br/>Number</b> | <b>Summary of Finding</b> | <b>Status</b> |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

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No matters are reportable.