




Fort Smith Regional Airport

A Component Unit of the City of Fort Smith, Arkansas

Annual Financial Report

December 31, 2023 and 2022



Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
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December 31, 2023 and 2022

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March 19, 2024

To the Public:

Enclosed herein is the Annual Financial Report for the Fort Smith Regional Airport for the fiscal year ended December 31, 2023 with a comparison to fiscal year ended December 31, 2022. 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 fifteen full-time employees and one part-time employee.

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 9,317 x 150-feet with dual instrument landing systems. The crosswind runway is 5,002 x 150-feet. Air Traffic services are provided by the Federal Aviation Administration from an Air Traffic Control (ATC) Tower and TRACON (Terminal Radar Approach Control). The airport is located just off Interstate 540 within an eight-mile radius of Interstate 40 providing excellent access to ground transportation.

The Activities in 2023

Scheduled Airline Service – As of December 31, 2023, one regional airline (American Airlines) served the Airport. American operates non-stop flights to Dallas/Ft. Worth. The airline offers connecting service to most destinations in the world.

Enplaned passengers decreased 1.7% in 2023 versus 2022.

Enplanements (revenue and non-revenue passenger boardings)

	American Airlines (to DFW)	Delta * (to ATL)	Total
2013	49,041	35,479	84,520
2014	54,663	38,206	92,869
2015	56,109	30,595	86,704
2016	55,978	31,510	87,488
2017	61,516	28,066	89,582
2018	62,738	27,763	90,501
2019	69,096	26,574	95,670
2020	32,920	5,740	38,660
2021	47,287	–	47,287
2022	61,719	–	61,719
2023	60,669	–	60,669

Aircraft operations decreased 19.7% in 2023 versus 2022.

Aircraft Operations

	Itinerant				Local*		Total
	Air Carrier airline/charter over 60 passengers	Air Taxi airline/charter 60 passengers or less	General Aviation	Military	General Aviation	Military	
2013	64	6,009	12,835	6,141	5,660	4,171	34,880
2014	53	5,624	12,948	5,487	5,421	4,400	33,933
2015	463	4,407	12,902	4,844	6,975	4,261	33,852
2016	2,053	2,776	14,533	7,160	11,816	6,189	44,527
2017	2,906	2,023	13,962	6,182	10,393	4,835	40,301
2018	1,483	3,264	12,833	4,974	8,547	2,957	34,058
2019	1,663	3,267	12,482	4,283	8,054	1,966	31,715
2020	740	2,796	12,234	4,397	7,966	1,662	29,795
2021	1,206	3,310	12,973	6,619	4,540	1,322	29,970
2022	1,468	3,156	12,129	3,694	3,084	1,151	24,682
2023	1,905	1,799	10,764	1,563	3,408	390	19,829

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

Other 2023 Highlights

Operating revenues have increased from prior year and are now at 91.04% of 2019 pre-pandemic income. Operating expenses of \$1,478,472 were reimbursed by the Airport's CARES Act grant during 2023, leaving \$0 that can be reimbursed through April 2024. During 2022, the Airport was awarded a Small Community Air Service Development Program grant for up to \$855,000 that can be used over the next three years for recruitment costs to initiate and support new air service to Chicago or another hub airport in the northeast U.S.

Infrastructure projects completed in 2023 included the runway 8/26 lights upgrades and the new exit lane system. Projects commencing in 2023 included the solar farm to power the terminal building, part 150 study, new aircraft arresting system, taxiway E design phase and the ARFF station expansion.

The preparation of this report and a successful 2023 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 "Mike Griffin", is centered on the page. The signature is fluid and cursive.

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

Fort Smith Airport Commission
Members as of December 31, 2023

	<i>Term Expires</i>
James E. Kelly, III M.D.	June 30, 2027
Justin Voris, M.D.	June 30, 2027
Eric Pendergrass	June 30, 2026
Kevin Ridgley	June 30, 2026
Robert Hawkins	June 30, 2025
Gary Grimes	June 30, 2024
Bob Cooper	June 30, 2028

Airport Officials
as of December 31, 2023

Michael Griffin, A.A.E., Airport Director
Lindsay Conley, Director of Finance & Administration
Tiffany Farmer, Director of Operations

Financial Section



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forvis.com

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Fort Smith Regional Airport (the Airport), a component unit of the City of Fort Smith, Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Airport, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of passenger facility charge

collections and expenditures required by the *Passenger Facility Charge Audit Guide for Public Agencies* and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, 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.

FORVIS,LLP

**Rogers, Arkansas
March 19, 2024**

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Management's Discussion and Analysis
December 31, 2023 and 2022**

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, 2023 and 2022. 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 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 2022. 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.

2023 Statement of Net Position Compared to 2022

Current assets were up 43.7%, or \$5,046,602 and current liabilities were up 98.90%, or \$2,006,808. The change in current assets is primarily due to the increase in short-term certificates of deposit and grants receivable. The change in current liabilities is primarily due to the increase in payables for ongoing capital projects. Total net position has increased by 17.7%, or \$12,727,275.

2022 Statement of Net Position Compared to 2021

Current assets were up 113.9%, or \$6,148,582, and current liabilities were up 76.0%, or \$876,011. The change in current assets is primarily due to the increase in short-term investments. The change in current liabilities is primary due to increase in payables for ongoing capital projects. Total net position has increased by 31.9%, or \$17,399,174.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Management's Discussion and Analysis
December 31, 2023 and 2022

FORT SMITH REGIONAL AIRPORT
Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023-2022</u> <u>% Change</u>	<u>2022-2021</u> <u>% Change</u>
Current Assets	\$ 16,595,508	\$ 11,548,906	\$ 5,400,324	43.7%	113.9%
Capital and Lease Assets, net	71,501,396	61,470,771	46,937,500	16.3%	31.0%
Other Assets	<u>14,583,862</u>	<u>15,033,869</u>	<u>17,816,221</u>	-3.0%	-15.6%
Total Assets	<u>\$102,680,766</u>	<u>\$ 88,053,546</u>	<u>\$ 70,154,045</u>	16.6%	25.5%
Current Liabilities	\$ 4,035,212	\$ 2,028,404	\$ 1,152,393	98.9%	76.0%
Noncurrent Liabilities	1,895,079	1,930,958	1,965,900	-1.9%	100.0%
Deferred Inflows of Resources	<u>12,129,450</u>	<u>12,200,434</u>	<u>12,541,176</u>	-0.6%	100.0%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 18,059,741</u>	<u>\$ 16,159,796</u>	<u>\$ 15,659,469</u>	11.8%	3.2%
Net Position					
Net Investment in Capital Assets	\$ 66,006,433	\$ 57,873,704	\$ 44,217,350	14.1%	30.9%
Restricted Net Position	243,368	37,856	31,907	542.9%	18.6%
Unrestricted Net Position	<u>18,371,224</u>	<u>13,982,190</u>	<u>10,245,319</u>	31.4%	36.5%
Total Net Position	<u>\$ 84,621,025</u>	<u>\$ 71,893,750</u>	<u>\$ 54,494,576</u>	17.7%	31.9%

2023 Revenues and Expenses Compared to 2022

Operating revenues increased by \$89,099 (3.30%) over 2022. Operating expenses increased by \$231,514 (4.7%). Capital contributions, grants and charges were down \$4,899,184 (29.7%) due to funds received for the runway extension project causing a large increase in 2022. Projects funded in 2023 included: ARFF station expansion, arresting barrier removal, and a Part 150 Study. Net position increased by \$12,727,275 (17.7%).

2022 Revenues and Expenses Compared to 2021

Operating revenues increased by \$414,141 (18.0%) over 2021 as air traffic recovers slowly from the COVID-19 pandemic and the 2020 loss of Delta Air Lines. Operating expenses increased by \$336,878 (7.3%). Capital contributions, grants and charges were up \$5,104,179 (44.9%) due to funds received for the runway extension project. Projects funded in 2022 included: runway 2/20 renumbering, arresting barrier removal, and runway 7/25 overlay. Projects commencing include: runway 8/26 extension, and perimeter security fencing design. Net position increased by \$17,399,174 (31.9%).

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Management's Discussion and Analysis
December 31, 2023 and 2022

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

	2023	2022	2021	% Change 2023-2022	% Change 2022-2021
Operating Revenues:					
Flowage Fees	\$ 71,719	\$ 93,598	\$ 88,403	-23.4%	5.9%
Landing Fees	98,137	101,714	91,005	-3.5%	11.8%
Rented Buildings and Other	1,881,290	1,783,080	1,608,592	5.5%	10.8%
Parking Lot Fees	428,209	348,218	228,618	23.0%	52.3%
Fuel	33,517	83,118	90,042	-59.7%	-7.7%
Other	291,891	305,936	194,863	-4.6%	57.0%
	<u>2,804,763</u>	<u>2,715,664</u>	<u>2,301,523</u>	3.3%	18.0%
Operating Expenses:					
Personal Services	1,164,409	996,538	937,624	16.8%	6.3%
Contractual Services	1,330,776	1,134,639	894,823	17.3%	26.8%
Commodities	229,199	260,867	235,235	-12.1%	10.9%
Other Charges	128,457	126,380	115,147	1.6%	9.8%
Depreciation and Amortization	2,311,828	2,414,731	2,413,448	-4.3%	0.1%
	<u>5,164,669</u>	<u>4,933,155</u>	<u>4,596,277</u>	4.7%	7.3%
Operating Loss	(2,359,906)	(2,217,491)	(2,294,754)	-6.4%	3.4%
Nonoperating Revenues, net	3,504,145	3,134,445	2,766,837	-11.8%	-13.3%
Increase in Net Position before Capital Contributions, Grants and Charges	1,144,239	916,954	472,083	-24.8%	-94.2%
Capital Contributions, Grants and Charges	11,583,036	16,482,220	11,378,041	-29.7%	44.9%
Increase in Net Position after Capital Contributions, Grants and Charges	12,727,275	17,399,174	11,850,124	-26.9%	-46.8%
Total Net Position, Beginning of Year	71,893,750	54,494,576	42,644,452	31.9%	27.8%
Total Net Position, End of Year	<u>\$ 84,621,025</u>	<u>\$ 71,893,750</u>	<u>\$ 54,494,576</u>	17.7%	31.9%

Capital Assets

2023 Capital Projects

The following major project and addition was completed during 2023:

- Construction work on the runway lights upgrades was completed. Overall project cost was \$95,055 funded 100 % by the airport.
- Construction work on the exit lane system was completed. Overall project cost was \$157,717, funded 100% by the airport.

The following projects were started and underway at December 31, 2023:

- Construction work continued on the runway extension with 2023 expenses of \$6,966,918. City, state and county will provide 100% funding for the project.
- Design work started on the ARFF station expansion with 2023 expenses of \$248,979. The National Guard Bureau will provide 100% funding for the project.

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Management’s Discussion and Analysis
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- Consulting and engineering work has started on the Part 150 study with 2023 expenses of \$36,053. The FAA will provide 90% funding for the project while the state will fund 10%.
- Construction work on the runway overlay was nearly completed with 2023 expenses of \$0. Total expenses for the project are \$9,721,218. FAA will provide 100% funding through three sources of federal funds.

2022 Capital Projects

The following major projects and additions were completed during 2022:

- Runway 2/20 and 8/26 renumbering was completed. Overall project cost was \$74,498, with 80% funded by the state and the balance from airport funds.
- The Airport Master Plan was updated, with final billing at \$782,797. Funding was 89.6% FAA funds, 10% state funds, and 0.4% airport funds.
- The arresting barrier on runway 7/25 was removed, funded entirely by the Air National Guard for a total cost of \$156,293.

The following projects were started and underway at December 31, 2022:

- Construction work on the runway overlay was nearly completed with 2022 expenses of \$289,786. Total expenses for the project are \$9,721,218. FAA will provide 100% funding through three sources of federal funds.
- Construction work began on the runway extension with 2022 expenses of \$16,084,587. City, state and county will provide 100% funding for the project.
- The design phase for new perimeter security fencing began in 2022, with expenses totaling \$14,586. The fencing will be funded 100% from PFC funds.

Debt Administration

2023 Compared to 2022

No new debt was acquired during 2023.

2022 Compared to 2021

No new debt was acquired during 2022. The Airport adopted GASB 87 during fiscal year 2022 which required the Airport to record a long-term lease liability as of December 31, 2022. See long-term lease liability balances as of December 31, 2023 and 2022.

**FORT SMITH REGIONAL AIRPORT
Outstanding Long-Term Lease Liability**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>% Change 2022-2021</u>	<u>% Change 2021-2020</u>
Lease liability	\$ 1,930,958	\$ 1,965,900	\$ 1,999,586	-1.78%	100.0%
Total lease liability	<u>\$ 1,930,958</u>	<u>\$ 1,965,900</u>	<u>\$ 1,999,586</u>		

Additional information on the Airport’s lease liability can be found on page 21 of this report.

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Management's Discussion and Analysis
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Economic Factors and Next Year's Rates and Charges

The Airport experienced a 1.70% decrease in enplaned passengers during 2023 for a total of 60,669 as compared to 61,719 in 2022 and 47,287 in 2021. Total aviation operations decreased 19.7% in 2023 for a total of 19,829 as compared to 24,682 in 2022 and 29,970 in 2021.

In 2023, operating revenues have increased and are now at 91.04% of 2019 pre-pandemic income. The CARES and ARPA grants continue to provide reimbursement for eligible operating expenses, and are expected to be used in their entirety by early 2024. The Airport was awarded a Small Community Air Service Development Program grant that will support the recruitment and initiation of new air service to Chicago in the coming years.

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 Finance and 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 4,656,169	\$ 3,792,560
Certificates of deposit	6,788,133	-
Grants receivable	3,930,998	1,946,390
Passenger facility charges receivable	35,833	37,856
Lease receivables, current	738,165	553,853
Inventories	73,418	74,827
Short-term investments	-	4,955,451
Prepaid expenses	138,417	94,862
Interest receivable	234,375	93,107
	<u>16,595,508</u>	<u>11,548,906</u>
Noncurrent Assets		
Restricted cash	207,535	1,563
Certificates of deposit	2,422,411	3,000,000
Lease receivables, noncurrent	11,953,916	12,032,306
Lease assets, net	1,836,919	1,902,329
Capital assets, not being depreciated	46,775,009	35,066,254
Capital assets, being depreciated, net	22,889,468	24,502,188
	<u>86,085,258</u>	<u>76,504,640</u>
Total noncurrent assets	<u>86,085,258</u>	<u>76,504,640</u>
Total assets	<u>102,680,766</u>	<u>88,053,546</u>

See Notes to Financial Statements

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Payable From Unrestricted Assets		
Accounts payable	\$ 3,783,638	\$ 1,808,399
Accounts payable – related party	53,366	49,433
Accrued expenses and other	84,982	103,179
Lease liability, current	35,879	34,942
Unearned revenue	<u>77,347</u>	<u>32,451</u>
Total current liabilities payable	<u>4,035,212</u>	<u>2,028,404</u>
Noncurrent Liabilities		
Lease liability, noncurrent	<u>1,895,079</u>	<u>1,930,958</u>
Total liabilities	<u>5,930,291</u>	<u>3,959,362</u>
Deferred Inflows of Resources		
Deferred inflows of resources, leases	<u>12,129,450</u>	<u>12,200,434</u>
Total deferred inflows of resources	<u>12,129,450</u>	<u>12,200,434</u>
Total liabilities and deferred inflows of resources	<u>18,059,741</u>	<u>16,159,796</u>
Net Position		
Net investment in capital assets	<u>66,006,433</u>	<u>57,873,704</u>
Restricted for		
Expendable		
Capital expenditures	<u>243,368</u>	<u>37,856</u>
Total restricted net position	<u>243,368</u>	<u>37,856</u>
Unrestricted	<u>18,371,224</u>	<u>13,982,190</u>
Total net position	<u>\$ 84,621,025</u>	<u>\$ 71,893,750</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, 2023 and 2022

	2023	2022
Operating Revenues		
Flowage fees	\$ 71,719	\$ 93,598
Landing fees	98,137	101,714
Rented buildings and other	1,881,290	1,783,080
Parking lot fees	428,209	348,218
Fuel	33,517	83,118
Other	291,891	305,936
Total operating revenues	<u>2,804,763</u>	<u>2,715,664</u>
Operating Expenses		
Personal services	1,164,409	996,538
Contractual services	1,330,776	1,134,639
Commodities	229,199	260,867
Other charges	128,457	126,380
Depreciation and amortization	2,311,828	2,414,731
Total operating expenses	<u>5,164,669</u>	<u>4,933,155</u>
Operating Loss	<u>(2,359,906)</u>	<u>(2,217,491)</u>
Nonoperating Revenues (Expenses)		
Investment and interest income	773,528	420,836
Interest expense	(51,597)	(52,512)
Loss on sale of capital assets	(5,763)	(4,096)
Passenger facility charges	230,539	248,249
Federal, state and local grants	2,557,438	2,521,968
Total nonoperating revenues (expenses)	<u>3,504,145</u>	<u>3,134,445</u>
Increase in Net Position Before Capital Contributions and Grants	<u>1,144,239</u>	<u>916,954</u>
Capital Contributions and Grants		
Federal, state and local grants	<u>11,583,036</u>	<u>16,482,220</u>
Total capital contributions and grants	<u>11,583,036</u>	<u>16,482,220</u>
Increase in Net Position	12,727,275	17,399,174
Net Position, Beginning of Year	<u>71,893,750</u>	<u>54,494,576</u>
Net Position, End of Year	<u>\$ 84,621,025</u>	<u>\$ 71,893,750</u>

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Cash receipts from customers and users	\$ 2,658,474	\$ 2,687,310
Cash payments to vendors for goods and services	(1,730,652)	(1,527,118)
Cash payments for employee services	(1,173,689)	(1,007,976)
Net cash provided by (used in) operating activities	(245,867)	152,216
Noncapital Financing Activities		
Noncapital grants and gifts	2,557,438	2,521,968
Passenger facility charges received	232,562	240,776
Net cash provided by noncapital financing activities	2,790,000	2,762,744
Capital and Related Financing Activities		
Principal paid on leases	(34,942)	(33,686)
Interest paid on leases	(51,597)	(52,512)
Acquisition and construction of capital assets	(12,359,503)	(16,948,002)
Capital grants received	11,583,036	16,482,220
Proceeds from sale of capital assets	11,287	-
Net cash used in capital and related financing activities	(851,719)	(551,980)
Investing Activities		
Purchase of certificates of deposits	(9,188,133)	(3,000,000)
Proceeds from sales and maturities of investments	2,977,589	5,565,000
Purchase of short-term investments	-	(4,955,451)
Sale of short-term investments	4,955,451	-
Income received on investments, cash equivalents and leases	632,260	373,897
Net cash used in investing activities	(622,833)	(2,016,554)
Net Increase in Cash	1,069,581	346,426
Cash, Beginning of Year	3,794,123	3,447,697
Cash, End of Year	\$ 4,863,704	\$ 3,794,123
Presented on the Statements of Net Position		
Current assets - cash	\$ 4,656,169	\$ 3,792,560
Noncurrent assets - restricted cash	207,535	1,563
	\$ 4,863,704	\$ 3,794,123

See Notes to Financial Statements

	2023	2022
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (2,359,906)	\$ (2,217,491)
Items not requiring cash		
Depreciation and amortization	2,311,828	2,414,731
Changes in		
Accounts receivable	(1,984,608)	(716,984)
Lease receivables	(105,922)	143,105
Inventories	1,409	7,533
Prepaid expenses	(43,555)	(8,595)
Accounts payable and accrued liabilities	2,005,871	870,659
Deferred inflows - leases	(70,984)	(340,742)
	<u>(245,867)</u>	<u>152,216</u>
Net cash (used in) provided by operating activities	<u>\$ (245,867)</u>	<u>\$ 152,216</u>
Noncash Capital and Related Financing Activities:		
Capital assets acquired through payables	<u>\$ 967,493</u>	<u>\$ 482,965</u>

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.

Investments and Investment Income

Investments in U.S. Treasury obligations with a remaining maturity of one-year or less at time of acquisition, certificates of deposit and money market funds are carried at amortized cost. Investment income includes dividend and interest income and gas royalties.

Lease Receivable

Lease receivable consists of amounts due from customers utilizing airport services and lease income is stated at the amount billed to customers plus any accrued and unpaid late fees.

Grants Receivable

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

Fort Smith Regional Airport
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Notes to Financial Statements
December 31, 2023 and 2022

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. 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

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Airport evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in the service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Compensated Absences

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

Restricted Assets

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

Deferred Inflows of Resources

The Airport reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statement of net position.

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Revenue

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

Net Position

Net position of the Airport is classified in three components. Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization 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.

Federal and State Grants

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

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

Passenger Facility Charges

Under a Record of Decision, the Federal Aviation Administration (FAA) grants the Airport approval to impose a passenger facility charge (PFC) on flights originating from Fort Smith. The charge per enplaned passenger is \$4.50. PFCs are restricted for use in the construction of certain airport improvements and other costs, as approved by the FAA. PFCs are recognized as they are earned, are included in capital contributions, grants and charges and amounted to \$230,539 and \$248,249 for 2023 and 2022, respectively.

Accounting Pronouncement Adopted

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs). This statement provides a new framework for accounting for SBITAs under the principle that SBITAs are a right-to-use subscription asset and a corresponding subscription liability. An exception to the general model is provided for short-term SBITAs that cannot last more than 12 months. Adoption of GASB 96 had no impact on the Airport's financial statements.

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Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022, none of the Airport's bank balances of \$14,074,248 and \$11,749,574, respectively, were exposed to custodial credit risk.

Summary of Carrying Values

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

	<u>2023</u>	<u>2022</u>
Carrying value		
Deposits	\$ 14,074,248	\$ 6,794,123
Investments	-	4,955,451
	<u>\$ 14,074,248</u>	<u>\$ 11,749,574</u>
Included in the following statement of net position captions		
Current cash	\$ 4,656,169	\$ 3,792,560
Current short-term investments	-	4,955,451
Current certificates of deposit	6,788,133	-
Noncurrent restricted cash	207,535	1,563
Noncurrent certificates of deposit	2,422,411	3,000,000
	<u>\$ 14,074,248</u>	<u>\$ 11,749,574</u>

Restricted Cash

Cash is restricted as follows:

	<u>2023</u>	<u>2022</u>
Passenger facility charge fund	\$ 207,535	\$ 1,563
	<u>\$ 207,535</u>	<u>\$ 1,563</u>

Fort Smith Regional Airport
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Investments

The Airport held no investments at December 31, 2023. Investments at December 31, 2022 for the Airport include the following:

Type	2022				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury Obligations	\$ 4,955,451	\$ 4,955,451	\$ -	\$ -	\$ -
	<u>\$ 4,955,451</u>	<u>\$ 4,955,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Income

Investment income for the years ended December 31, 2023 and 2022 consisted of:

	2023	2022
Interest and dividend income	\$ 771,090	\$ 418,890
Gas royalties	2,438	1,946
	<u>\$ 773,528</u>	<u>\$ 420,836</u>

Note 3. Leases Receivable

Lease Receivable

The Airport leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2024 through 2049. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

Revenue recognized under lease contracts during the years ended December 31, 2023 and 2022 was \$942,815 and \$869,399, respectively, which includes both lease revenue and interest.

The following is a schedule by year of minimum payments to be received under the Airport's leases that are included in the measurement of the lease receivable as of December 31, 2023:

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<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 738,165	\$ 327,368	\$ 1,065,533
2025	759,203	307,602	1,066,805
2026	720,094	287,343	1,007,437
2027	548,753	270,807	819,560
2028	496,795	257,042	753,837
2029 - 2033	2,728,688	1,074,633	3,803,321
2034 - 2038	1,514,690	779,269	2,293,959
2039 - 2043	1,553,775	589,634	2,143,409
2044 - 2048	1,840,631	363,982	2,204,613
Thereafter	1,791,287	240,185	2,031,472
Total	<u>\$ 12,692,081</u>	<u>\$ 4,497,865</u>	<u>\$ 17,189,946</u>

Regulated Leases

The Airport leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire 2023 through 2042.

Revenue recognized for fixed payment under regulated lease contracts during the years ended December 31, 2023 and 2022 was \$191,622 and \$198,164, respectively.

The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2023:

<u>Years Ending December 31,</u>	<u>Total Future</u>
2024	\$ 98,254
2025	47,756
2026	50,246
2027	55,549
2028	74,259
2029 - 2033	78,211
2034 - 2038	100,245
2039 - 2043	43,755
Total	<u>\$ 548,275</u>

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Notes to Financial Statements
December 31, 2023 and 2022

Note 4. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2023 and 2022 is as follows:

	2023			Ending Balance
	Beginning Balance	Transfers In and Additions	Transfers Out and Disposals	
Capital and lease assets, not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	28,234,574	11,714,305	(5,550)	39,943,329
 Total capital and lease assets, not being depreciated	 35,066,254	 11,714,305	 (5,550)	 46,775,009
Capital assets, being depreciated:				
Buildings and building improvements	25,494,990	157,867	-	25,652,857
Runways and other airport infrastructure	56,262,963	100,455	-	56,363,418
Equipment, furniture and fixtures and other	13,249,456	386,876	(85,091)	13,551,241
 Total capital assets, being depreciated	 95,007,409	 645,198	 (85,091)	 95,567,516
Less accumulated depreciation for:				
Buildings and building improvements	(13,854,027)	(550,383)	-	(14,404,410)
Runways and other airport infrastructure	(42,339,391)	(1,386,147)	-	(43,725,538)
Equipment, furniture and fixtures and other	(10,233,825)	(309,888)	-	(10,543,713)
 Total accumulated depreciation	 (70,505,221)	 (2,246,418)	 73,591	 (72,678,048)
 Total capital assets, being depreciated, net	 24,502,188	 (1,601,220)	 (11,500)	 22,889,468
 Capital assets, net	 \$59,568,442	 \$10,113,085	 \$ (17,050)	 \$69,664,477

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	2022			Ending Balance
	Beginning Balance	Transfers In and Additions	Transfers Out and Disposals	
Capital and lease assets, not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	12,976,961	16,394,509	(1,136,896)	28,234,574
Total capital and lease assets, not being depreciated	19,808,641	16,394,509	(1,136,896)	35,066,254
Capital assets, being depreciated:				
Buildings and building improvements	25,249,535	245,455	-	25,494,990
Runways and other airport infrastructure	56,032,172	230,791	-	56,262,963
Equipment, furniture and fixtures and other	12,637,660	1,218,240	(606,444)	13,249,456
Total capital assets, being depreciated	93,919,367	1,694,486	(606,444)	95,007,409
Less accumulated depreciation for:				
Buildings and building improvements	(13,854,027)	-	-	(13,854,027)
Runways and other airport infrastructure	(42,339,391)	-	-	(42,339,391)
Equipment, furniture and fixtures and other	(10,233,825)	-	-	(10,233,825)
Total accumulated depreciation	(68,758,247)	(2,349,321)	602,347	(70,505,221)
Total capital assets, being depreciated, net	25,161,120	(654,835)	(4,097)	24,502,188
Capital and lease assets, net	\$44,969,761	\$15,739,674	\$(1,140,993)	\$59,568,442

Construction Commitments

As of December 31, 2023, the Airport has construction commitments which include the runway 8/26 extension construction, 7/25 overlay construction and Arresting Barrier among other commitments. As of December 31, 2023 and 2022, outstanding construction commitments totaled \$22,267,098 and \$4,110,367, respectively.

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Note 5. Lease Asset

Lease asset activity for the year ended December 31, 2023 was:

	2023			
	Beginning Balance	Transfers In and Additions	Transfers Out and Disposals	Ending Balance
Lease assets				
Land - lease asset	\$ 2,033,149	\$ -	\$ -	\$ 2,033,149
Less accumulated amortization				
Land - lease asset	(130,820)	(65,410)	-	(196,230)
Total lease assets, net	<u>\$ 1,902,329</u>	<u>\$ (65,410)</u>	<u>\$ -</u>	<u>\$ 1,836,919</u>

Lease asset activity for the year ended December 31, 2022 was:

	2022			
	Beginning Balance	Transfers In and Additions	Transfers Out and Disposals	Ending Balance
Lease assets				
Land - lease asset	\$ 2,033,149	\$ -	\$ -	\$ 2,033,149
Less accumulated amortization				
Land - lease asset	(65,410)	(65,410)	-	(130,820)
Total lease assets, net	<u>\$ 1,967,739</u>	<u>\$ (65,410)</u>	<u>\$ -</u>	<u>\$ 1,902,329</u>

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Note 6. Lease Liability

The following is a summary of long-term lease liability for the years ended December 31, 2023 and 2022:

	2023				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Lease liability	\$ 1,965,900	\$ -	\$ (34,942)	\$ 1,930,958	\$ 35,879

	2022				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Lease liability	\$ 1,999,586	\$ -	\$ (33,686)	\$ 1,965,900	\$ 34,942

The Airport has a land lease that began in 2001 with terms that expire in 2052. The future principal and interest payments for the lease liability as of December 31, 2023 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 35,879	\$ 50,737	\$ 86,616
2025	36,842	49,774	86,616
2026	37,830	48,786	86,616
2027	42,859	47,727	90,586
2028	44,378	46,569	90,947
2029 - 2033	249,329	214,120	463,449
2034 - 2038	309,342	177,280	486,622
2039 - 2043	379,084	131,869	510,953
2044 - 2048	459,993	76,507	536,500
Thereafter	335,422	14,620	350,042
Total	<u>\$ 1,930,958</u>	<u>\$ 857,989</u>	<u>\$ 2,788,947</u>

Note 7. 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

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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 \$50,000 and \$42,000 for 2023 and 2022, 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, 2023, there were no material required contributions. The complete disclosures required by GASB 75 are included in the City of Fort Smith's Annual Financial Report.

Note 8. 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 2023 and 2022, the Airport paid the City \$3,163 in payroll administration fees each year. In addition, the Airport also participates in the City's health insurance and retirement plans. The City now bills the Airport biweekly for insurance, retirement, payroll and payroll taxes. While the City retains the risk of financing the health insurance plan's obligations that exceed the Airport's and its employees' premiums paid, the monthly health insurance premiums are determined by the City at the beginning of each year and are adjusted as necessary. As of December 31, 2023 and 2022, \$20,316 and \$19,838, respectively, was payable each year to the City for payroll disbursements, insurance premiums, and retirement contributions.

As of December 31, 2023 and 2022, the Airport received \$1,177,519 and \$3,070,987, respectively, from the City for the Airport's Runway Extension project.

Note 9. 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.

Note 10. COVID-19 Pandemic & Related Funding

CARES Act grant is the *Coronavirus Aid, Relief, and Economic Security Act* approved by the United States Congress and signed into law by the President on March 27, 2020. It was a legislative action to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. During 2020, the Airport was awarded \$7.8 million in CARES Act grant funds which may be used for qualifying expenses as defined by the Federal Aviation Administration over the next four years. As of December 31, 2023, the Airport has drawn \$7.8 million in CARES Act grant funding.

During 2021, the Airport received federal funding through the *Coronavirus Response and Relief Supplemental Appropriation Act* (CRRSAA Act), which was signed into law on December 27, 2020. The CRRSAA Act provides additional aid in the form of grants to airport to prevent, prepare for, and respond to the coronavirus disease 2019 (COVID-19) pandemic. This aid provides economic relief to eligible U.S. airports and eligible concessions. The Airport did not draw on the CRRSAA Act grant in FY 2023 and \$429 thousand of the CRRSAA Act grant in FY2022.

The *American Rescue Plan Act* (ARPA) was signed into law March 11, 2021, which included funds to be awarded as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. The Airport drew \$1.1 million of the ARPA grant in FY 2023 and drew \$480 thousand on this grant in FY 2022.

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, 2023

	Final Budget	Actual	Variance
Operating Revenues			
Flowage Fees			
FBO	\$ 63,000	\$ 62,844	\$ (156)
Corporate	9,400	8,875	(525)
	<u>72,400</u>	<u>71,719</u>	<u>(681)</u>
Landing Fees			
Airlines	96,000	96,616	616
FBO	1,000	1,521	521
	<u>97,000</u>	<u>98,137</u>	<u>1,137</u>
Rented Buildings and Other			
Airlines	111,700	111,666	(34)
Car rental	498,000	509,908	11,908
Service facility	86,000	87,424	1,424
Other terminal and office	1,300	1,365	65
Displays		58,393	58,393
TSA	42,900	37,529	(5,371)
FBO	350,200	306,454	(43,746)
SASO	87,000	90,153	3,153
T - Hangars	81,000	81,849	849
Corporate	116,200	116,232	32
Commercial leases	500,000	480,317	(19,683)
	<u>1,874,300</u>	<u>1,881,290</u>	<u>6,990</u>
Parking Lot Fees	<u>399,000</u>	<u>428,209</u>	<u>29,209</u>
Fuel	<u>32,000</u>	<u>33,517</u>	<u>1,517</u>
Other			
Auto gas – rental car and airlines	38,300	46,684	8,384
Miscellaneous	137,000	144,857	7,857
Badge fees	11,000	12,750	
LEO cost reimbursement	87,600	87,600	-
	<u>273,900</u>	<u>291,891</u>	<u>16,241</u>
Total operating revenues	<u>2,748,600</u>	<u>2,804,763</u>	<u>54,413</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Expenses			
Personal services			
Salaries regular	\$ 928,000	\$ 912,601	\$ 15,399
Salaries overtime	15,300	9,964	5,336
Longevity	1,700	1,685	15
FICA airport contribution	71,900	68,980	2,920
Health coverage and wellness	108,200	107,924	276
Dental	7,100	7,466	(366)
Disability	4,000	3,938	62
Life	1,100	1,053	47
Vision	1,200	1,269	(69)
Retirement	49,500	49,529	(29)
	<u>1,188,000</u>	<u>1,164,409</u>	<u>23,591</u>
Contractual services			
Electricity	209,100	206,061	3,039
Electricity - Airfield Lighting	-	6,872	(6,872)
Gas	92,000	82,561	9,439
Water and sewer	35,600	34,123	1,477
Telephone	9,000	5,946	3,054
Printing and advertisement	2,800	2,208	592
Postage and shipping	2,500	311	2,189
Travel and training	55,000	45,537	9,463
Airport marketing/development	107,000	98,504	8,496
Airport business	10,000	5,877	4,123
Professional services	42,500	33,558	8,942
Technical services	50,000	32,063	17,937
Legal services	10,000	5,605	4,395
Maintenance/repair – buildings	301,000	215,168	85,832
Maintenance/repair – fences	4,500	410	4,090
Maintenance/repair – pavement	45,000	80,864	(35,864)
Maintenance/repair – equipment	151,500	135,736	15,764
Maintenance/repair - Wash Bay	-	2,800	(2,800)
Other contractual services	134,000	97,415	36,585
LEO cost reimbursement	87,600	87,600	-
Audit and financial services	65,000	64,941	59
Commercial leases	86,600	86,616	(16)
	<u>1,500,700</u>	<u>1,330,776</u>	<u>169,924</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, 2023

	Final Budget	Actual	Variance
Commodities			
Office and duplicating supplies	4,100	2,084	2,016
Motor fuels and lubricants	26,800	26,341	459
Chemicals	27,000	16,101	10,899
Rental car fuel for resale	33,000	39,890	(6,890)
Janitorial supplies	20,600	17,975	2,625
Materials	20,000	11,389	8,611
Other commodities	24,000	26,205	(2,205)
Clothing and supplies	9,600	4,061	5,539
Tools	6,200	2,047	4,153
Trees and plants	20,000	1,145	18,855
Gas for resale	7,500	7,711	(211)
Aviation fuel for resale	35,000	35,463	(463)
Field lighting	35,000	38,787	(3,787)
	<u>268,800</u>	<u>229,199</u>	<u>39,601</u>
Other charges			
Commercial property insurance	60,000	59,557	443
Airport liability insurance	17,300	15,800	1,500
Officers and directors insurance	7,200	7,318	(118)
Vehicle insurance	18,000	19,842	(1,842)
Workers compensation insurance	13,000	10,590	2,410
Dues and subscriptions	6,100	4,385	1,715
Miscellaneous charges	200	162	38
Payroll processing fees	3,700	3,163	537
Property and use taxes	8,000	7,640	360
	<u>133,500</u>	<u>128,457</u>	<u>5,043</u>
Total operating expenses	<u>3,091,000</u>	<u>2,852,841</u>	<u>238,159</u>
Operating Income (Loss)	<u>(342,400)</u>	<u>(48,078)</u>	<u>183,746</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, 2023

	Final Budget	Actual	Variance
Nonoperating Revenues (Expenses)			
Investment income			
leases	\$ 377,000	\$ 712,038	\$ 335,038
Interest – projects fund	46,000	59,052	13,052
Gas royalties	2,200	2,438	238
Passenger facility charges	225,000	230,539	5,539
Federal, state and local grants			
Federal grants	2,631,000	2,557,438	(73,562)
	<u>3,281,200</u>	<u>3,561,505</u>	<u>280,305</u>
Interest expense	-	(51,597)	(51,597)
Loss on sale of capital assets	-	(5,763)	(5,763)
Total Nonoperating Revenues	<u>3,281,200</u>	<u>3,504,145</u>	<u>222,945</u>
Increase (Decrease) in Net Position Before Capital Contributions and Grants	<u>2,938,800</u>	<u>3,456,067</u>	<u>406,691</u>
Capital Contributions and Grants			
Federal, state and local grants			
Federal grants	444,643	2,890,549	2,445,906
State/local grants	7,239,273	8,692,487	1,453,214
	<u>7,683,916</u>	<u>11,583,036</u>	<u>3,899,120</u>
	<u>7,683,916</u>	<u>11,583,036</u>	<u>3,899,120</u>
Increase in Net Position Before Lease Liability			
Expenditures	<u>10,622,716</u>	<u>15,039,103</u>	<u>4,305,811</u>
Reduction in lease liability	-	34,942	(34,942)
	<u>-</u>	<u>34,942</u>	<u>(34,942)</u>
Increase in Net Position, Budgetary Basis	<u>\$ 10,622,716</u>	<u>\$ 15,004,161</u>	<u>\$ 4,270,869</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, 2023

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, 2023 are as follows:

Operating expenses – Budgetary Basis, December 31, 2023	\$ 2,852,841
Depreciation and amortization expense	<u>2,311,828</u>
Operating expenses – Statements of Revenues, Expenses and Changes in Net Position, December 31, 2023	<u>\$ 5,164,669</u>

Supplementary Information

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended December 31, 2023

	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Cumulative Total - December 31, 2022</u>
Revenues			
Passenger facility charge revenues received			\$ 8,218,417
Interest earned			166,534
			<u>166,534</u>
Total passenger facility charge revenue received			<u>\$ 8,384,951</u>
Expenditures			
PFC projects completed prior to 2007	7/24/1997	\$ 3,279,122	\$ 3,279,122
Application 06-03			
Perimeter road construction reimbursements	8/1/2006	128,515	128,515
Terminal Apron	8/1/2006	280,734	280,734
Conditioned Air at Gates	7/5/2006	200,000	200,000
Terminal Security Equipment	7/5/2006	123,270	123,270
		<u>732,519</u>	<u>732,519</u>
Total Application 06-03		<u>732,519</u>	<u>732,519</u>
Application 07-04			
Boarding Bridge Installation	11/20/2007	877,533	877,533
Flight Information Display System	11/20/2007	85,262	85,262
Security System Improvements	11/20/2007	279,268	279,268
PFC Administration Costs	11/20/2007	68,045	68,045
		<u>1,310,108</u>	<u>1,310,108</u>
Total Application 07-04		<u>1,310,108</u>	<u>1,310,108</u>
Application 12-05			
Airport Entry Signs to Passenger Terminal	10/22/2012	65,273	65,273
Passenger Terminal Sterile Lobby Expansion	10/22/2012	52,982	52,982
Portable Pre-conditioned Air and Ground Power Unit	10/22/2012	130,453	130,453
Runway 1/19 Pavement Rehabilitation and Marking	10/22/2012	26,202	26,202
Perimeter Security Fence and Erosion Control	10/22/2012	227,191	227,191
Runway Closure Signs	10/22/2012	37,186	37,186
Wildlife Habitat Mitigation and Drainage Improvements	10/22/2012	506,974	506,974
Wildlife Management Plan	10/22/2012	4,625	4,625
Security System Upgrade	10/22/2012	33,951	33,951
Breaking Action Testing Equipment	10/22/2012	7,250	7,250
Replace Security Vehicles	10/22/2012	47,482	47,482
Public Information Systems	10/22/2012	12,515	12,515
Snow Removal Equipment	10/22/2012	87,359	87,359
PFC Administration	10/22/2012	80,968	80,968
		<u>1,320,411</u>	<u>1,320,411</u>
Total Application 12-05		<u>1,320,411</u>	<u>1,320,411</u>

Quarters Ended					Year Ended	Cumulative
March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	December 31, 2023	December 31, 2023	Tota - December 31, 2023
\$ 51,064	\$ 57,149	\$ 61,219	\$ 63,130	\$ 232,562	\$ 8,450,979	
10	24	13	-	47	166,581	
<u>\$ 51,074</u>	<u>\$ 57,173</u>	<u>\$ 61,232</u>	<u>\$ 63,130</u>	<u>\$ 232,609</u>	<u>\$ 8,617,560</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,279,122	
-	-	-	-	-	128,515	
-	-	-	-	-	280,734	
-	-	-	-	-	200,000	
-	-	-	-	-	123,270	
-	-	-	-	-	732,519	
-	-	-	-	-	877,533	
-	-	-	-	-	85,262	
-	-	-	-	-	279,268	
-	-	-	-	-	68,045	
-	-	-	-	-	1,310,108	
-	-	-	-	-	65,273	
-	-	-	-	-	52,982	
-	-	-	-	-	130,453	
-	-	-	-	-	26,202	
-	-	-	-	-	227,191	
-	-	-	-	-	37,186	
-	-	-	-	-	506,974	
-	-	-	-	-	4,625	
-	-	-	-	-	33,951	
-	-	-	-	-	7,250	
-	-	-	-	-	47,482	
-	-	-	-	-	12,515	
-	-	-	-	-	87,359	
-	-	-	-	-	80,968	
-	-	-	-	-	1,320,411	

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Passenger Facility Charge Revenues and Expenditures (Continued)
Year Ended December 31, 2023

	Date Approved	Amount Approved	Cumulative Total - December 31, 2022
Application 18-06			
Runway 1-19 Lighting Rehabilitation	1/17/2018	\$ 54,770	\$ 54,770
Emergency Airfield Generator Replacement	1/17/2018	39,621	39,621
Rehabilitate Terminal Building (chiller, HVAC, Fire Alarm Panel)	1/17/2018	355,213	333,565
Acquire/Replace Snow Removal Equipment	1/17/2018	306,330	305,896
Acquire Runway Sweeper	1/17/2018	140,000	126,707
RW 7-25 Rehab	1/17/2018	120,000	-
ARFF Facility Design & Construction	1/17/2018	290,000	116,863
Mater Plan Update & Airport Layout Plan	1/17/2018	57,500	-
TW A East Lighting Rehab & Electric Vault Phase Modification	1/17/2018	80,000	-
Rehab Term Bldg (Public Info System Improvements)	1/17/2018	20,000	-
Upgrade Security Systems & Security Fencing	1/17/2018	400,000	382,448
PFC Program Mgmt.	1/17/2018	100,000	73,503
		1,963,434	1,433,373
Application 21-07			
Runway Rehabilitation	3/5/2021	1,050,000	-
Security Screening Checkpoint Improvements (Construction)	3/5/2021	98,220	98,220
Install Perimeter Security Fencing	3/5/2021	350,000	4,862
Terminal Building Boiler System Replacement	3/5/2021	197,989	131,198
Passenger Terminal Lighting Control System Replacement	3/5/2021	61,500	43,036
PFC Administration - Formulation Costs	3/5/2021	32,100	32,100
PFC Administration - Ongoing Costs	3/5/2021	72,900	-
		1,862,709	309,416
Total passenger facility charge revenue expended		\$ 10,468,303	\$ 8,384,949

Quarters Ended				Year Ended	Cumulative
March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	December 31, 2023	Total - December 31, 2023
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,770
-	-	-	-	-	39,621
-	-	-	-	-	333,565
-	-	-	-	-	305,896
-	-	-	-	-	126,707
-	-	-	-	-	-
-	-	-	-	-	116,863
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	382,448
-	-	-	-	-	73,503
-	-	-	-	-	1,433,373
-	-	-	-	-	-
-	-	-	-	-	98,220
10,285	-	-	-	10,285	15,147
-	-	-	-	-	131,198
14,893	-	-	-	14,893	57,929
-	-	-	-	-	32,100
-	-	-	-	-	-
25,178	-	-	-	25,178	334,594
<u>\$ 25,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,178</u>	<u>\$ 8,410,127</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, 2023

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, 2023.

2. Collections and expenditures on approved projects in the schedule above agree to the Passenger Facility Charge Quarterly Status Reports (PFC Reports) submitted by the Airport to the FAA.
3. Effective July 24, 1997 and amended on August 1, 2006, a total of \$3,279,122 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
4. Effective August 1, 2006, a total of \$732,519 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
5. Effective November 20, 2007 and amended on October 4, 2012, a total of \$1,310,108 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
6. Effective October 22, 2012 and amended on January 17, 2018, a total of \$1,320,411 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
7. Effective January 17, 2018, a total of \$1,963,434 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.
8. Effective March 5, 2021, a total of \$1,862,709 has been approved to be imposed and collected on behalf of the Airport and used by the Airport.

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing</u>	<u>Pass-through Entity Identifying</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Department of Defense</u>				
Direct Program:				
Military Construction, National Guard	12.400		\$ -	\$ 248,978
Total Department of Defense			-	248,978
<u>Department of Transportation</u>				
Direct Program:				
COVID-19 - Airport Improvement Program	20.106		-	2,557,438
Airport Improvement Program	20.106		-	84,133
Total Department of Transportation			-	2,641,571
			\$ -	\$ 2,890,549

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Fort Smith Regional Airport (the Airport) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Airport.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Airport has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Statistical Section

Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Selected Airport Operations Information
Year Ended December 31, 2023

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 2023:

<u>Total Year</u>	<u>U. S. Domestic Enplanements</u>	<u>Airport % of Enplanements</u>	<u>U. S. Primary Airports</u>
2023	60,669	Not available	Not available
2022	61,719	0.01%	847,994,978
2021	47,287	0.01%	655,799,746
2020	38,660 *	0.01%	368,245,490
2019	95,670	0.01%	935,693,527
2018	90,501	0.01%	899,710,601
2017	89,582	0.01%	856,918,657
2016	87,488	0.01%	829,290,352
2015	86,704	0.01%	798,390,000
2014	92,869	0.01%	760,650,507
2013	84,520	0.01%	738,415,316
2012	86,653	0.01%	731,187,279
2011	86,234	0.01%	726,007,934
2010	86,129	0.01%	713,580,637
2009	78,432	0.01%	696,769,131
2008	87,030	0.01%	734,700,902
2007	99,127	0.01%	762,397,236
2006	94,717	0.01%	737,647,279
2005	102,607	0.01%	735,547,793
2004	90,613	0.01%	704,793,726
2003	89,510	0.01%	650,045,348
2002	85,137	0.01%	644,579,286
2001	90,311	0.01%	659,422,828
2000	99,493	0.01%	708,638,875
<u>Airlines</u>		<u>2023 Passenger Enplanements</u>	<u>2023 Market Share</u>
American Airlines		60,669	100%
		<u>60,669</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.

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

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 (*Government Auditing Standards*), the financial statements of the Fort Smith Regional Airport, a component unit of the City of Fort Smith, Arkansas (the Airport), which comprise the Airport's statement of net position as of December 31, 2023, 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 March 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

**Rogers, Arkansas
March 19, 2024**

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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Fort Smith Regional Airport's, a component unit of the City of Fort Smith, Arkansas (the Airport), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport's major federal program for the year ended December 31, 2023. The Airport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Airport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

FORVIS, LLP

**Rogers, Arkansas
March 19, 2024**

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section I - Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

- Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over the major federal awards program:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No

5. Type of auditor's report issued on compliance for the major federal program:

- Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?

- Yes No

7. Identification of the major federal program:

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number
COVID-19 Airport Improvement Program	20.106
Airport Improvement Program	20.106

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

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

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2023**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023**

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Fort Smith Regional Airport's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on the passenger facility charge program for the year ended December 31, 2023.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended December 31, 2023.

Basis for Opinion on the Passenger Facility Charge Program

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

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Airport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

FORVIS, LLP

**Rogers, Arkansas
March 19, 2024**

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Passenger Facility Charges Audit Summary
Year Ended December 31, 2023**

1.	Type of report issued on PFC financial statements.	<input checked="" type="checkbox"/> Unmodified	<input type="checkbox"/> Qualified
2.	Type of report on PFC compliance.	<input checked="" type="checkbox"/> Unmodified	<input type="checkbox"/> Qualified
3.	Quarterly revenue and expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
4.	PFC revenue and interest is accurately reported on FAA Form 5100-127.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
5.	The Public Agency maintains a separate financial accounting record for each application.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
7.	Monthly carrier receipts were reconciled with quarterly carrier reports.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
8.	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
9.	Serving carriers were notified of PFC program actions/changes approved by the FAA.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
10.	Quarterly reports were transmitted (or available via website) to remitting carriers.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
11.	The Public Agency is in compliance with Assurance 8 of the Guide.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
12.	Project design and implementation is carried out in accordance with Assurance 9 of the Guide.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
13.	Project administration is carried out in accordance with Assurance 10 of the Guide.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> 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.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> N/A	<input type="checkbox"/> 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, 2023**

Findings Required to be Reported by the Guide

Reference Number	Finding	Questioned Costs
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No matters are reportable.

**Fort Smith Regional Airport
A Component Unit of the City of Fort Smith, Arkansas
Passenger Facility Charges
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023**

Reference Number	Summary of Finding	Status
No matters are reportable.		