

JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION

Reported as a Special Revenue Fund of the City of Jacksonville, Arkansas



**Financial Statements and Supplementary Information
Together with Independent Auditor's Report**

Year Ended December 31, 2019

JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION

(A Special Revenue Fund of the City of Jacksonville, Arkansas)

YEARS ENDED DECEMBER 31, 2019 and 2018

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October 30, 2020

To the Members of the Jacksonville Advertising and Promotion Commission:

In accordance with state law, this annual financial report is presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States. Pursuant to that requirement, I am pleased to submit to you the financial statements of the Jacksonville Advertising and Promotion Commission for the fiscal year ended December 31, 2019.

The Jacksonville Advertising and Promotion Commission (“Commission”) was created by local Ordinance 1193 of 2003 pursuant to the authority provided under Act 185 of 1965 as amended by Act 123 of 1969 of the General Assembly of the State of Arkansas for the development, establishment, improvement, maintenance, and operation of recreational and tourist facilities within the City of Jacksonville. The Commission’s primary sources of revenue are a 2% hotel/motel gross receipts tax levy and a 2% prepared food tax.

The Commission’s financial statements have been audited by McAlister & Associates, P. A., a firm of licensed, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission for the fiscal year ended December 31, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Commission’s financial statements for the fiscal year ending December 31, 2019 are fairly presented in conformity with GAAP.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This narrative can be found immediately following the report of the independent auditors.

Respectfully submitted,

Cheryl Erkel

Cheryl Erkel, CGFM



List of Commissioners

Commissioner

Position/Classification

Reedie Ray, chair	Governing body - City Council
Kenny Elliott	Governing body - City Council
Andy Patel	Owner/Manager – Tourism Business
Jim Hurley	Owner/Manager – Tourism Business
Ray Patel	Owner/Manager – Tourism Business
David Bush	Owner/Manager – Tourism Business
Roger Sundermeier	Member At-Large

Ex officio members

Stephanie Friedman, City Attorney
Cheryl Erkel, Finance Director

McAlister & Associates, P. A.

CERTIFIED PUBLIC ACCOUNTANTS

1 Crestview Plaza, P. O. Box 956
Jacksonville, Arkansas 72078
(501) 982-4491 Fax (501) 982-8518

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jacksonville Advertising and Promotion Commission
Jacksonville, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Jacksonville Advertising and Promotion Commission, a component unit reported as a special revenue fund of the City of Jacksonville, Arkansas, which are composed of balance sheets as of December 31, 2019 and 2018, and statements of revenues, expenditures, and changes in fund balances for the years then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

As discussed in Note 1, the financial statements present only the Jacksonville Advertising and Promotion Commission reported as a special revenue fund of the City of Jacksonville, Arkansas and do not purport to, and do not, present fairly the financial position of the City of Jacksonville, Arkansas, as of December 31, 2019 and 2018, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jacksonville Advertising and Promotion Commission as of December 31, 2019 and 2018, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial 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.

McAlister & Associates, P.A.

McAlister & Associates, P.A.
Certified Public Accountants

Jacksonville, Arkansas
October 30, 2020



**Management’s Discussion and Analysis
Fiscal Year Ended December 31, 2019**

Management’s Discussion and Analysis (MD & A) of the Jacksonville Advertising and Promotion Commission’s financial statements is intended to provide an overview of the financial position of the Commission as of and for the fiscal year ended December 31, 2019. The MD & A, in addition to the financial statements and the note disclosures, is the responsibility of the Commission’s management.

All financial statements have been prepared using the economic resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon thereafter to pay liabilities of the current period.

The Jacksonville Advertising and Promotion Commission (“Commission”) was created by local Ordinance 1193 of 2003 and is a component unit of the City of Jacksonville, Arkansas.

Fund Financial Statements

The annual financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The *Balance Sheet* presents information on the Commission’s assets and liabilities with the difference being reported as Fund Balance.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance* shows the current operating revenues and expenditures. The primary revenues of the Commission are a local 2% hotel/motel tax levy and a 2% prepared food tax levy, while the primary expenditure is the funding of events and activities that promote tourism in the City of Jacksonville.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in these financial statements. The notes to the financial statements can be found on pages 11-13 of this report.

The Jacksonville Advertising and Promotion Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission is treated as a governmental special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed for specific purposes other than debt service or capital projects. Governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Financial Highlights

The assets of the Jacksonville Advertising and Promotion Commission exceeded liabilities at the close of the fiscal year 2019 by \$735,478. This is an increase of \$61,815, or 9%, over fiscal year 2018 as shown below.

	2019	2018	2017	2016	2015
Current Assets					
Cash	\$ 434,947	\$ 479,612	\$ 273,711	\$ 296,045	\$ 194,931
Certificates of deposit	408,893	253,447	401,473	201,131	301,008
Receivables:					
Hospitality tax	4,645	4,934	4,515	4,178	4,092
Prepared food tax	128,000	80,698	75,097	68,734	69,397
Accrued interest	601	298	331	87	152
Total Assets	\$ 977,086	\$ 818,989	\$ 755,127	\$ 570,175	\$ 569,580
Liabilities and Fund Balances					
Current Liabilities					
Accounts payable	\$ 241,608	\$ 145,326	\$ 142,760	\$ 66,584	\$ 101,976
Fund Balances					
Restricted - Advertising and Promotion	735,478	673,663	612,367	503,591	467,604
Total Liabilities and Fund Balances	\$ 977,086	\$ 818,989	\$ 755,127	\$ 570,175	\$ 569,580

Total assets of the Commission increased by \$158,097 (19%) in 2019 due primarily to increases in certificates of deposit and prepared food tax receivables. Total liabilities increased by \$96,282 (66%) in 2019 due to an increase in amount owed to the City of Jacksonville for the allocation to the Parks and Recreation department at the end of the year.

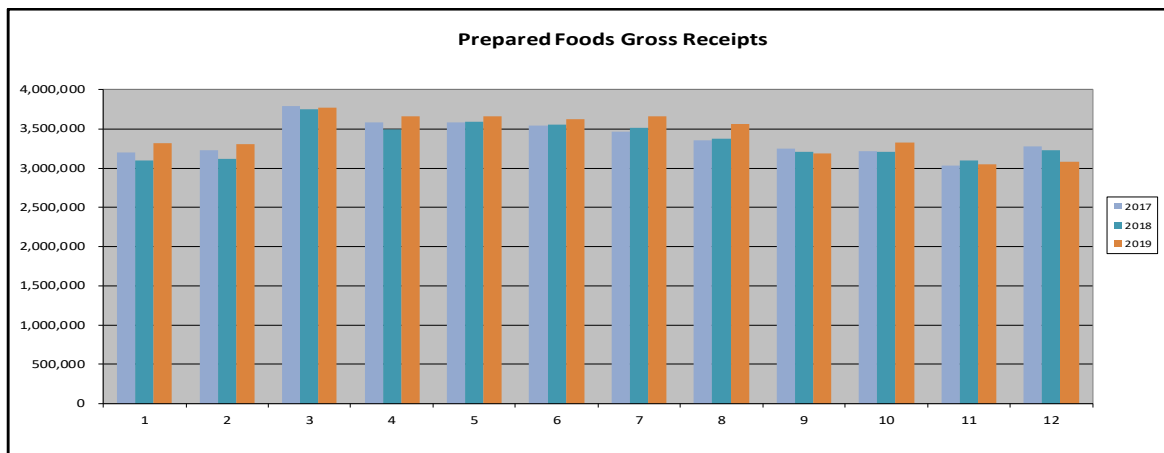
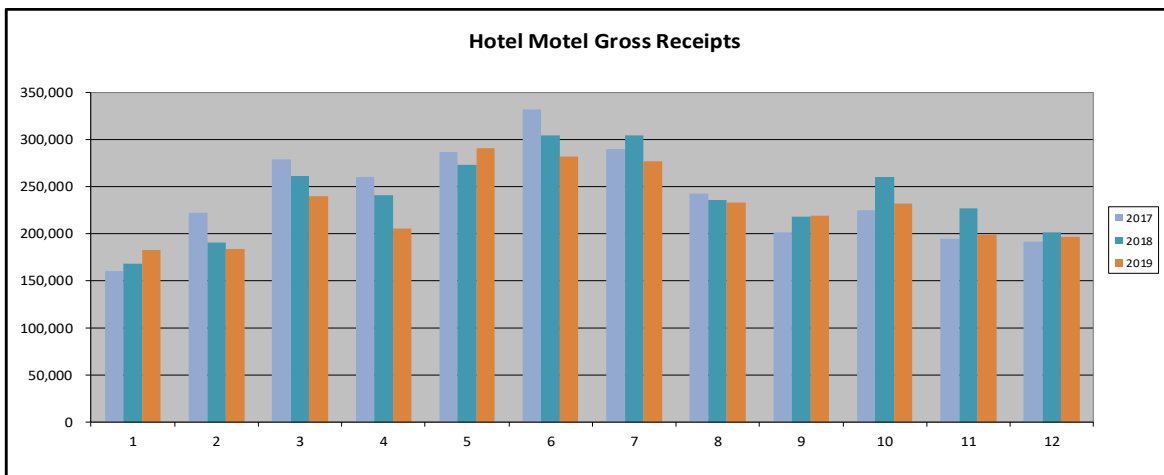
	2019	2018	2017	2016	2015
Revenues					
Hospitality tax	\$ 54,456	\$ 57,805	\$ 57,785	\$ 55,759	\$ 55,045
Discounts allowed - hospitality	(800)	(953)	(952)	(941)	(902)
Penalties - hospitality	300	154	236	183	117
Prepared foods tax	834,578	805,730	805,088	799,973	786,029
Discounts allowed-prepared foods	(14,678)	(14,557)	(15,189)	(14,598)	(14,909)
Penalties - prepared foods	5,905	3,309	2,097	1,370	732
Miscellaneous	32	(31)	(37)	451	202
Investment income	6,011	4,355	1,560	1,377	775
Total revenues	885,803	855,813	850,588	843,574	827,089
Expenditures					
Contract services	29,000	29,000	29,000	29,000	42,088
Postage	296	142	247	234	244
Supplies and materials	4,260	442	241	156	165
Schools and seminars	384	588	225	710	625
Tourism and promotion	790,048	764,344	712,100	777,488	803,479
Total expenditures	823,989	794,516	741,812	807,588	846,600
Deficiency of Revenues Over Expenditures	61,815	61,297	108,775	35,987	(19,511)
Fund Balances, Beginning of Year	673,663	612,367	503,590	467,604	487,114
Fund Balances, End of Year	\$ 735,478	\$ 673,663	\$ 612,367	\$ 503,590	\$ 467,604

Total revenues increased by \$29,990(4%) during 2019 as compared to 2018 due to an increase in prepared food tax revenues. Total expenditures increased by \$29,473 (4%) during 2019 as compared to 2018 due to an increase in payments for tourism and promotion.

Revenues from the hospitality tax and the prepared food tax flow on a relatively equal monthly basis while the funded activities of the Commission occur early in the year and peak during mid-summer. Due to the nature of this funds flow, the Commission’s target fund balance should approximate 24% of the current year budget.

The 2019 spending plan anticipated net revenues of approximately \$855,750 based on actual collections for 2018 for the hospitality tax and the prepared food tax. Actual revenues came in 4% above anticipated revenues. The hospitality tax had a 5% decrease and the prepared food tax had a 4% increase compared to 2018 while the investment income had a 38% increase.

Activities that were funded in December 2018 for the fiscal year 2019 budget are based mainly on the level of revenue collection experienced in 2018. However, the Commission is taking a cautious approach for the 2020 budget and have committed a portion of the budget as dedicated to promotional activities, but not designated.



As evidenced by the above graphs, taxable hotel/motel gross receipts began 2019 with an increase compared to 2018, which quickly turned to decreases throughout the remainder of the year. The prepared foods gross receipts began 2019 with a slight increase compared with 2018, which was mostly steady throughout the year. The prepared foods revenues reflect that our economy is becoming more stable. Further research is required to determine the fluctuation from the hotel/motel revenues.

Financial Management Contact Information

This financial report is designed to provide our taxpayers, suppliers, and creditors with a general overview of the Commission's finances and to show accountability for the money received. Questions about this report and requests for additional financial information should be directed to the Commission's administration by telephoning (501) 982-4502.

JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION
(Reported as a Special Revenue Fund of the City of Jacksonville, Arkansas)

BALANCE SHEETS
December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 434,947	\$ 479,612
Certificates of deposit	408,893	253,447
Receivables:		
Hospitality tax	4,645	4,934
Prepared food tax	128,000	80,698
Accrued interest	601	298
Total Assets	<u>\$ 977,086</u>	<u>\$ 818,989</u>

Liabilities and Fund Balances

Current Liabilities

Accounts payable	\$ 241,608	\$ 145,326
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Fund Balances

Restricted - Advertising and Promotion	<u>735,478</u>	<u>673,663</u>
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Total Liabilities and Fund Balances	<u>\$ 977,086</u>	<u>\$ 818,989</u>
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See Accompanying Notes to the Financial Statements.

JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION
 (Reported as a Special Revenue Fund of the City of Jacksonville, Arkansas)

**STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 YEARS ENDED DECEMBER 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Revenues		
Hospitality tax	\$ 54,456	\$ 57,805
Discounts allowed - hospitality	(800)	(953)
Penalties - hospitality	300	154
Prepared foods tax	834,578	805,730
Discounts allowed-prepared foods	(14,678)	(14,557)
Penalties - prepared foods	5,905	3,309
Miscellaneous	32	(31)
Investment income	6,011	4,355
Total revenues	<u>885,803</u>	<u>855,813</u>
Expenditures		
Contract services	29,000	29,000
Postage	296	142
Supplies and materials	4,260	442
Schools and seminars	384	588
Tourism and promotion	790,048	764,344
Total expenditures	<u>823,989</u>	<u>794,516</u>
Deficiency of Revenues Over Expenditures	61,815	61,297
Fund Balances, Beginning of Year	<u>673,663</u>	<u>612,367</u>
Fund Balances, End of Year	<u>\$ 735,478</u>	<u>\$ 673,663</u>

See Accompanying Notes to the Financial Statements.

JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION

(A Special Revenue Fund of the City of Jacksonville, Arkansas)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

Note 1: Organization and Summary of Significant Accounting Policies

Organization

The Jacksonville Advertising and Promotion Commission (“Commission”) was created by local Ordinance 1193 of 2003 pursuant to the authority provided under Act 185 of 1965 as amended by Act 123 of 1969 of the General Assembly of the State of Arkansas for the development, establishment, improvement, and maintenance, and operation of recreational and tourist facilities within the City of Jacksonville. The Commission’s primary source of revenue is a 2% tax levy on hotel/motel and prepared foods gross receipts within the City.

These financial statements represent the Jacksonville Advertising and Promotion Commission only; they do not represent the City of Jacksonville, Arkansas (City) as a whole. The basic financial statements of the City of Jacksonville, Arkansas are available from the City by contacting the Finance Department, City of Jacksonville, P.O. 126, Jacksonville, Arkansas 72078. Under accounting principles generally accepted in the United States of America, the Commission is a component unit reported as a special revenue fund of the City of Jacksonville, Arkansas.

Basis of Accounting and Presentation

The financial statements of the Commission are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included in the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Budgetary Data

The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual have been prepared on the modified accrual basis of accounting. The Commission prepares budgets in conjunction with the City’s budgeting process. The City’s 2019 Comprehensive Annual Financial Report should be referred to for a description of the budgetary process.

Accounts Receivable

The Commission reports accounts receivable as a net realizable amount from the 2% hotel/motel and prepared foods gross receipts tax.

Fund Balance

The Commission's fund balance is the difference between the assets and liabilities of the Commission at December 31, 2019 and 2018, and is classified as restricted. Restricted fund balance consists of expendable net assets that are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the city, including amounts deposited with trustees as required by bond indentures, and reduced by the outstanding balances of any related borrowing. The Commission considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Note 2: Deposits

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

City statute requires that deposits in financial institutions be collateralized with federal depository insurance or other interest bearing securities of the United States, the state of Arkansas, Arkansas political subdivisions or agencies or instrumentalities of these entities at 102%. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2019 and 2018, the Commission had collateral pledged, in the Commission's name, from banks to cover deposits; therefore, none of the Commission's bank balances were exposed to custodial credit risk.

Note 3: Related Party Transactions

City Ordinance 1318 of 2007 specifies that 50% of the tax collected on all hotels and prepared foods be used for the construction, equipping, improvement, maintenance, operation, reconstruction, and repair of Jacksonville Parks & Recreation facilities. Payments by the Commission under this ordinance to the City of Jacksonville were \$ 434,326.02 and \$425,934 for the years ended December 31, 2019 and 2018, respectively.

Additional funding of \$72,270 was contributed to the City of Jacksonville in 2019 for the Parks and Recreation Sports Programs, \$14,000 for Big Bang on the Range, \$37,175 for Festiville, \$24,798 for the fountain project, \$774 for the Christmas Parade, \$35,105 for marketing for Jacksonville Parks and Recreation and \$18,700 for a sports complex study. The City of Jacksonville also received \$20,000 for administrative services and \$5,000 for City Attorney services in 2019.

Note 4: Subsequent Events

Economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Jacksonville Advertising and Promotion Commission due to the spread of the COVID -19 virus. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION
(Reported as a Special Revenue Fund of the City of Jacksonville, Arkansas)

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Budget and Actual
YEARS ENDED DECEMBER 31, 2019 and 2018**

	2019			2018		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues						
Hospitality tax	\$ 59,000	\$ 54,456	\$ (4,544)	\$ 59,000	\$ 57,805	\$ (1,195)
Discounts allowed	(950)	(800)	150	(1,032)	(953)	79
Prepared food tax	810,000	834,578	24,578	810,000	805,730	(4,270)
Discounts allowed	(14,300)	(14,678)	(378)	(14,175)	(14,557)	(382)
Penalties	-	6,204	6,204	-	3,463	3,463
Miscellaneous	-	32	32	-	(31)	(31)
Investment income	2,000	6,011	4,011	1,200	4,355	3,155
Total revenues	855,750	885,803	30,053	854,993	855,813	820
Expenditures						
Contract services	30,800	29,000	1,800	29,000	29,000	-
Postage	175	296	(121)	200	142	58
Supplies and materials	4,200	4,160	40	500	342	158
Schools and Seminars	600	384	216	750	588	162
Operating expense	400	100	300	425	100	325
Tourism and promotion	781,750	790,048	(8,298)	821,119	764,344	56,775
Total expenditures	817,925	823,989	(6,063)	851,994	794,516	57,478
Deficiency of Revenues Over Expenditures	37,825	61,815	36,117	2,999	61,297	(56,657)
Fund Balances, Beginning of Year	673,663	673,663	-	612,367	612,367	-
Fund Balances, End of Year	\$ 711,489	\$ 735,478	\$ 23,989	\$ 615,367	\$ 673,665	\$ 58,298