

# **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**

**Years Ending December 31, 2020 and 2019**



# JACKSONVILLE ADVERTISING AND PROMOTION COMMISSION

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

YEARS ENDED DECEMBER 31, 2020 and 2019

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November 30, 2021

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 years ending December 31, 2020 and 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, Von-Jacobs & Associates, PLLC., 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 years ending December 31, 2020 and 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 years ending December 31, 2020 and 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*

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Cheryl Erkel, CGFM



**List of Commissioners**

<b><u>Commissioner</u></b>	<b><u>Position/Classification</u></b>
Reedie Ray, chair	Governing body - City Council
Les Collins	Governing body - City Council
Andy Patel	Owner/Manager – Tourism Business
Jim Hurley	Owner/Manager – Tourism Business
Ray Patel	Owner/Manager – Tourism Business
Pat Green	Owner/Manager – Tourism Business
Roger Sundermeier	Member At-Large

**Ex officio members**

Stephanie Friedman, City Attorney  
Cheryl Erkel, Finance Director

# McAlister Von-Jacobs & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 Von-Jacobs & Associates, PLLC*

Jacksonville, Arkansas  
November 30, 2021



**Management’s Discussion and Analysis  
Fiscal Years Ending December 31, 2020 and 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 years ending December 31, 2020 and 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 2020 by \$1,071,784. This is an increase of \$336,368, or 46%, over fiscal year 2019 as shown below.

	2020	2019	2018	2017	2016
<b>Current Assets</b>					
Cash	\$ 601,567	\$ 434,885	\$ 479,612	\$ 273,711	\$ 296,045
Certificates of deposit	459,879	408,893	253,447	401,473	201,131
Receivables:					
Hospitality tax	4,829	4,645	4,934	4,515	4,178
Prepared food tax	104,750	128,000	80,698	75,097	68,734
Accrued interest	168	601	298	331	87
<b>Total Assets</b>	<b>\$ 1,171,193</b>	<b>\$ 977,024</b>	<b>\$ 818,989</b>	<b>\$ 755,127</b>	<b>\$ 570,175</b>
<b>Liabilities and Fund Balances</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 99,409	\$ 241,608	\$ 145,326	\$ 142,760	\$ 66,584
<b>Fund Balances</b>					
Restricted - Advertising and Promotion	1,071,784	735,416	673,663	612,367	503,591
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,171,193</b>	<b>\$ 977,024</b>	<b>\$ 818,989</b>	<b>\$ 755,127</b>	<b>\$ 570,175</b>

Total assets of the Commission increased by \$194,169 (20%) in 2020 due primarily to increases in cash from increased Prepared Food Taxes received. The increase was a result of an increase in local restaurant food sales. Total liabilities decreased by \$142,199 (59%) in 2020 due to a decrease in amount owed to the City of Jacksonville for the allocation to the Parks and Recreation department at the end of the year.

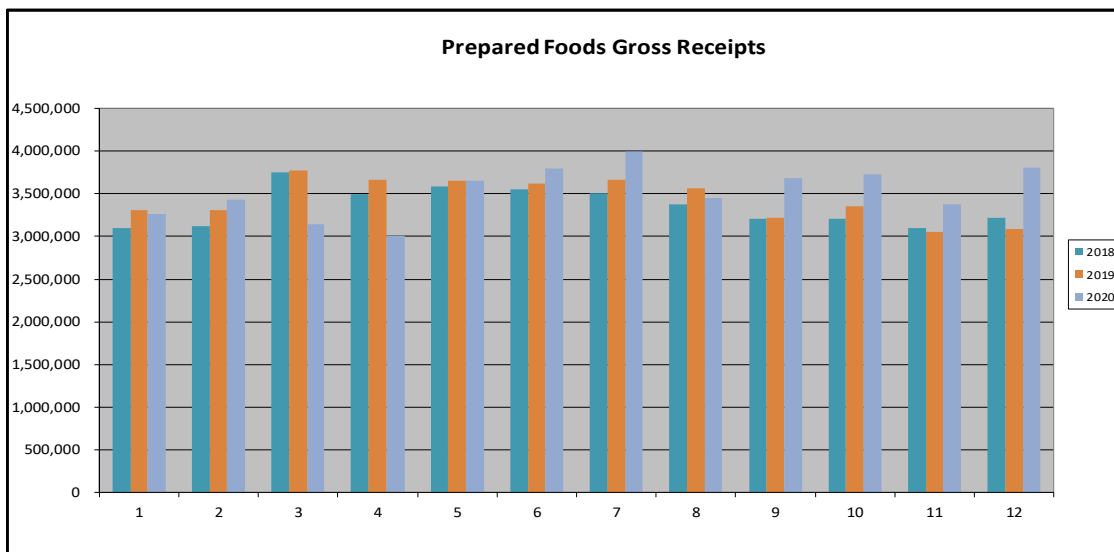
	2020	2019	2018	2017	2016
<b>Revenues</b>					
Hospitality tax	\$ 61,828	\$ 54,456	\$ 57,805	\$ 57,785	\$ 55,759
Discounts allowed - hospitality	(1,094)	(800)	(953)	(952)	(941)
Penalties - hospitality	-	300	154	236	183
Prepared foods tax	863,597	834,526	805,730	805,088	799,973
Discounts allowed-prepared foods	(16,110)	(14,678)	(14,557)	(15,189)	(14,598)
Penalties - prepared foods	5,931	5,895	3,309	2,097	1,370
Miscellaneous	600	32	(31)	(37)	451
Investment income	5,094	6,011	4,355	1,560	1,377
Total revenues	<u>919,845</u>	<u>885,741</u>	<u>855,813</u>	<u>850,588</u>	<u>843,574</u>
<b>Expenditures</b>					
Contract services	30,000	29,000	29,000	29,000	29,000
Postage	215	296	142	247	234
Supplies and materials	1,626	4,260	442	241	156
Schools and seminars	323	384	588	225	710
Tourism and promotion	551,375	790,048	764,344	712,100	777,488
Total expenditures	<u>583,538</u>	<u>823,989</u>	<u>794,516</u>	<u>741,812</u>	<u>807,588</u>
<b>Excess of Revenues Over Expenditures</b>	336,307	61,753	61,297	108,775	35,987
<b>Fund Balances, Beginning of Year</b>	<u>735,416</u>	<u>673,663</u>	<u>612,367</u>	<u>503,590</u>	<u>467,604</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,071,722</u>	<u>\$ 735,416</u>	<u>\$ 673,663</u>	<u>\$ 612,367</u>	<u>\$ 503,590</u>

Total revenues increased by \$32,713 (4%) during 2020 as compared to 2019 mainly due to an increase in prepared food tax revenues. Total expenditures decreased by \$241,904 (29%) during 2020 as compared to 2019 due to decreases in social events as a result of the COVID 19 pandemic.

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 2020 spending plan anticipated net revenues of approximately \$874,600 based on actual collections for 2019 for the hospitality tax and the prepared food tax. Actual revenues came in 5% above anticipated revenues. The hospitality tax had a 14% increase and the prepared food tax had a 3% increase compared to 2019 while the investment income had a 15% decrease.

Activities that were funded in December 2019 for the fiscal year 2020 budget are based mainly on the level of revenue collection experienced in 2019. However, the Commission is taking a cautious approach for the 2021 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 2020 with an increase compared to 2019 then turned to decreases for March through June and increases again through the remainder of the year. The prepared foods gross receipts began 2020 with a slight decrease compared with 2019, then turned to mostly increases beginning in June through the remainder of 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, 2020 and 2019

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**Assets**

	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash	\$ 601,567	\$ 434,885
Certificates of deposit	459,879	408,893
Receivables:		
Hospitality tax	4,829	4,645
Prepared food tax	104,750	128,000
Accrued interest	<u>168</u>	<u>601</u>
<b>Total Assets</b>	<u>\$ 1,171,193</u>	<u>\$ 977,024</u>

**Liabilities and Fund Balances**

**Current Liabilities**

Accounts payable	\$ 99,409	\$ 241,608
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**Fund Balances**

Restricted - Advertising and Promotion	<u>1,071,784</u>	<u>735,416</u>
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**Total Liabilities and Fund Balances**

	<u>\$ 1,171,193</u>	<u>\$ 977,024</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, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Hospitality tax	\$ 61,828	\$ 54,456
Discounts allowed - hospitality	(1,094)	(800)
Penalties - hospitality	-	300
Prepared foods tax	863,597	834,526
Discounts allowed-prepared foods	(16,110)	(14,678)
Penalties - prepared foods	5,931	5,895
Miscellaneous	600	32
Investment income	5,094	6,011
Total revenues	<u>919,845</u>	<u>885,741</u>
<b>Expenditures</b>		
Contract services	30,000	29,000
Postage	215	296
Supplies and materials	1,626	4,260
Schools and seminars	323	384
Tourism and promotion	551,375	790,048
Total expenditures	<u>583,538</u>	<u>823,989</u>
<b>Excess of Revenues Over Expenditures</b>	336,307	61,753
<b>Fund Balances, Beginning of Year</b>	<u>735,416</u>	<u>673,663</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,071,722</u>	<u>\$ 735,416</u>

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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, 2020 and 2019**

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### **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 2020 Annual Comprehensive 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, 2020 and 2019, 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, 2020 and 2019, 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 \$ 410,622 and \$434,326 for the years ended December 31, 2020 and 2019, respectively.

Additional funding of \$22,524 was contributed to the City of Jacksonville in 2020 for the Parks and Recreation Sports Programs, \$11,726 for Big Bang on the Range, \$1,001 for Cupid Shuffle 5K, \$2,000 for Farmers Market, 2,002 for Community Center & Splash Zone anniversary, \$3,500 for the master plan for Splash Pad, and \$2,295 for marketing for Jacksonville Parks and Recreation. Several events were cancelled due to COVID 19 pandemic. The City of Jacksonville also received \$20,000 for administrative services and \$5,000 for City Attorney services in 2020.

**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, 2020 and 2019**

	2020			2019		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>						
Hospitality tax	\$ 58,000	\$ 61,828	\$ 3,828	\$ 59,000	\$ 54,456	\$ (4,544)
Discounts allowed	(900)	(1,094)	(194)	(950)	(800)	150
Prepared food tax	829,500	863,597	34,097	810,000	834,526	24,526
Discounts allowed	(14,500)	(16,110)	(1,610)	(14,300)	(14,678)	(378)
Penalties	-	5,931	5,931	-	6,194	6,194
Miscellaneous	-	600	600	-	32	32
Investment income	2,500	5,094	2,594	2,000	6,011	4,011
Total revenues	874,600	919,845	45,245	855,750	885,741	29,991
<b>Expenditures</b>						
Contract services	30,000	30,000	-	30,800	29,000	1,800
Postage	250	215	35	175	296	(121)
Printing and advertising	18,000	-	18,000	-	-	-
Supplies and materials	200	73	127	4,200	4,160	40
Schools and Seminars	600	323	277	600	384	216
Operating expense	500	1,553	(1,053)	400	100	300
Tourism and promotion	648,130	551,375	96,755	781,750	790,048	(8,298)
Total expenditures	697,680	583,538	114,142	817,925	823,989	(6,063)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	176,920	336,307	(68,896)	37,825	61,753	36,055
<b>Fund Balances, Beginning of Year</b>	735,478	735,416	(62)	673,663	673,663	-
<b>Fund Balances, End of Year</b>	\$ 912,398	\$ 1,071,722	\$ 159,324	\$ 711,489	\$ 735,416	\$ 23,927

See Independent Auditor's Report.

