

DOOR COUNTY TOURISM ZONE COMMISSION
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2008

DOOR COUNTY TOURISM ZONE COMMISSION
December 31, 2008

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Commissioners
Door County Tourism Zone Commission
Sister Bay, Wisconsin

We have audited the accompanying financial statements of the Door County Tourism Zone Commission, ("the Commission") as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Door County Tourism Zone Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior period summarized comparative information has been derived from the Commission's 2007 financial statements and, in our report dated April 21, 2008, we expressed an unqualified opinion on the financial statements of the Commission.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Door County Tourism Zone Commission as of December 31, 2008, and the results of its operations and cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2009, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Door County Tourism Zone Commission has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements. The financial information listed in the table of contents as supplemental information, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Scheuch SC

Certified Public Accountants
Green Bay, Wisconsin
April 14, 2009

FINANCIAL STATEMENTS

DOOR COUNTY TOURISM ZONE COMMISSION
Statement of Net Assets
December 31, 2008
(With Summarized Financial Information as of December 31, 2007)

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 173,440	\$ 907,070
Accounts receivable	52,738	56,195
Total Assets	226,178	963,265
LIABILITIES		
Accounts payable	198,515	37,633
Accrued payroll liabilities	688	-
Deposits and deferred revenues	295	522
Total Liabilities	199,498	38,155
NET ASSETS		
Restricted for agreement with contracted tourism entity	-	878,164
Unrestricted	26,680	46,946
TOTAL NET ASSETS	\$ 26,680	\$ 925,110

The notes to the basic financial statements are an integral part of this statement.

DOOR COUNTY TOURISM ZONE COMMISSION
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2008
(With Summarized Financial Information for the period April 12, 2007 to December 31, 2007)

	2008	2007
Operating Revenues		
Room tax	\$ 2,635,603	\$ 2,362,655
Operating Expenses		
Administration		
Professional fees	86,130	41,179
Legal	13,745	6,106
Office	21,060	4,724
Insurance	2,760	2,950
Advertising	447	709
Miscellaneous	3,560	942
Total Administration	127,702	56,610
Payments to Door County Visitor Bureau	2,622,839	679,828
Distributions to municipalities	790,172	706,057
Total Operating Expenses	3,540,713	1,442,495
Operating Income (Loss)	(905,110)	920,160
Nonoperating Revenues		
Interest income	6,680	4,950
Change in Net Assets	(898,430)	925,110
Net Assets - Beginning of Period	925,110	-
Net Assets - End of Period	\$ 26,680	\$ 925,110

The notes to the basic financial statements are an integral part of this statement.

DOOR COUNTY TOURISM ZONE COMMISSION
Statement of Cash Flows
Year Ended December 31, 2008
(With Summarized Financial Information for the period April 12, 2007 to December 31, 2007)

	2008	2007
Cash Flows From Operating Activities		
Cash received from room tax	\$ 2,638,833	\$ 2,306,982
Cash payments for operating expenses	(37,967)	(52,049)
Cash remitted to contracted tourism entity	(2,547,839)	(679,828)
Cash remitted to municipalities	(793,337)	(672,985)
Net Cash Provided (Used) by Operating Activities	<u>(740,310)</u>	<u>902,120</u>
Cash Flows From Investing Activities		
Interest income	6,680	4,950
Change in Cash and Cash Equivalents	(733,630)	907,070
Cash and Cash Equivalents - Beginning of Period	<u>907,070</u>	<u>-</u>
Cash and Cash Equivalents - End of Period	<u>\$ 173,440</u>	<u>\$ 907,070</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (905,110)	\$ 920,160
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in operating assets and liabilities		
Accounts receivable	3,457	(56,195)
Accounts payable	160,882	37,633
Accrued payroll	688	-
Deposits	(227)	522
Net Cash Provided (Used) by Operating Activities	<u>\$ (740,310)</u>	<u>\$ 902,120</u>

The notes to the basic financial statements are an integral part of this statement.

DOOR COUNTY TOURISM ZONE COMMISSION

Notes to Financial Statements

December 31, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the Door County Tourism Zone Commission, ("the Commission") conform to accounting principles generally accepted in the United States of America for enterprise funds as defined by the Governmental Accounting Standards Board (GASB). A summary of the Commission's accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Door County Tourism Zone Commission is a commission formed under Section 66.0615 of the Wisconsin Statutes. The Commission was created on April 12, 2007 for the purpose of promoting and developing tourism. The jurisdiction of the Commission is presently the area comprised by the boundaries of the following municipalities within Door County, Wisconsin: Villages of Egg Harbor, Ephraim and Sister Bay and the Towns of Baileys Harbor, Brussels, Clay Banks, Egg Harbor, Gardner, Gibraltar, Jacksonport, Liberty Grove, Nasewaupsee, Sevastopol and Washington. The City of Sturgeon Bay, the Village of Forestville and the Towns of Forestville, Sturgeon Bay and Union, joined the Tourism Zone on January 1, 2009.

All municipalities in the tourism zone enacted a room tax ordinance to collect a 5.5% tax on transient lodging. Although the tax is owed to the municipality, the tourism zone by agreement makes all collections and distributes the amounts in accordance with the agreement. The agreement provides for a monthly distribution of the room tax collections as follows:

- 30% To municipality where the lodging facility is located
- 66% To be distributed to a contracted tourism entity in accordance with an agreed-upon budget
- 4% To be used for administrative expenses

The Commission is governed by members appointed by each municipality along with two additional members appointed by the Commission. The term of the agreement is five years from the effective date of January 1, 2007.

The Commission has not identified any potential component units as defined in GASB Statement Nos. 14 and 39.

2. Enterprise Funds

The Commission accounts for its operations as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business with the intent that the costs (expenses, including depreciation) of providing services be financed primarily through user charges.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

DOOR COUNTY TOURISM ZONE COMMISSION

Notes to Financial Statements

December 31, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Assets. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

4. The Commission records expenses for disbursements to the contracted tourism entity and for distributions to municipalities. In 2008, the Commission disbursed 66% of the monthly room tax collected to the contracted tourism entity. In 2007, monthly disbursements were made to the contracted tourism entity to reimburse them for expenditures incurred consistent with their annual budget. The 2008 change in the method of calculating the disbursement was made in accordance with the change in the agreement with the contracted tourism entity.

5. Net Assets

Net assets are classified into the following three components:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of "invested in capital assets, net of related debt". Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

6. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

7. Comparative Data

Comparative amounts for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations.

DOOR COUNTY TOURISM ZONE COMMISSION
Notes to Financial Statements
December 31, 2008

NOTE B - CASH AND INVESTMENTS

The Commission maintains a depository bank account for all funds.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Commission's cash and investments totaled \$173,440 on December 31, 2008 as summarized below:

Deposits with financial institutions	\$ 173,440
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Deposits and investments of the Commission are subject to various risks. Presented below is a discussion of the Commission's deposits and the related risks.

Deposits with Financial Institutions

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2009. In addition, the Commission's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2009. On January 1, 2010, the coverage limit for all accounts will return to \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2008, \$272,229 of the Commission's bank balances were in excess of federal and state depository insurance limits and uncollateralized.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have an additional custodial credit policy.

NOTE C - AGREEMENT WITH DOOR COUNTY VISITOR BUREAU

On June 28, 2007, the Commission entered into an agreement with the Door County Visitor Bureau (DCVB) for the purpose of providing staff, visitor center facilities, support services and assistance in developing and implementing programs to promote and develop the tourism zone. The first amendment to the agreement was signed in February of 2009. In accordance with the agreement the DCVB is appointed the agent of the Commission. The Commission is obligated to distribute 66% of monthly room tax to the DCVB consistent with their annual adopted budget.

The initial term of the agreement is for five years, consistent with the term of the Tourism Zone Commission Intergovernmental Agreement and thereafter renewable on a year-to-year basis.

DOOR COUNTY TOURISM ZONE COMMISSION
Notes to Financial Statements
December 31, 2008

NOTE D - OTHER INFORMATION

Risk Management

The Commission has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Commission.

SUPPLEMENTAL INFORMATION

DOOR COUNTY TOURISM ZONE COMMISSION
Schedule of Room Tax Revenue by Municipality
Period Ended December 31, 2008 and 2007

Municipality	2008	2007
Village of Egg Harbor	\$ 308,553	\$ 279,129
Village of Ephraim	385,447	387,429
Village of Sister Bay	414,585	395,093
Town of Baileys Harbor	217,141	195,360
Town of Egg Harbor	247,856	215,141
Town of Gardner	13,215	-
Town of Gibraltar	458,940	416,330
Town of Jacksonport	54,505	41,268
Town of Liberty Grove	202,314	191,606
Town of Nasewaupee	65,483	35,150
Town of Sevastopol	210,720	182,612
Town of Washington	56,844	23,537
Total	<u>\$ 2,635,603</u>	<u>\$ 2,362,655</u>