

DOOR COUNTY TOURISM ZONE COMMISSION

SISTER BAY, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2013, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the Door County Tourism Zone Commission's 2012 financial statements, and our report dated April 13, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2014, on our consideration of the Commission'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 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* in considering the Commission's internal control over financial reporting and compliance.

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Certified Public Accountants
Green Bay, Wisconsin
April 10, 2014

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Statement of Net Position
December 31, 2013
(With Comparative Financial Information as of December 31, 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 225,275	\$ 194,530
Accounts receivable	86,711	68,689
Prepaid items	-	3,129
Total Assets	311,986	266,348
LIABILITIES		
Accounts payable	164,726	157,257
Accrued payroll liabilities	1,049	771
Deposits and unearned revenues	674	1,381
Total Liabilities	166,449	159,409
NET POSITION		
Unrestricted	145,537	106,939
TOTAL NET POSITION	\$ 145,537	\$ 106,939

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

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN**

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

(With Comparative Financial Information for the Year Ended December 31, 2012)

	2013	2012
Operating Revenues		
Room tax	\$ 3,643,839	\$ 3,492,318
Late fees and interest	24,756	15,000
Total Operating Revenues	<u>3,668,595</u>	<u>3,507,318</u>
Operating Expenses		
Administration		
Professional fees	81,276	77,671
Legal	14,306	12,180
Office	29,331	26,819
Insurance	2,358	3,664
Advertising	199	108
Miscellaneous	4,274	21,828
Total Administration	<u>131,744</u>	<u>142,270</u>
Payments to Door County Visitor Bureau	2,405,049	2,315,235
Distributions to municipalities	1,093,204	1,052,379
Total Operating Expenses	<u>3,629,997</u>	<u>3,509,884</u>
Operating Income (Loss)	38,598	(2,566)
Net Position - January 1	<u>106,939</u>	<u>109,505</u>
Net Position - December 31	<u>\$ 145,537</u>	<u>\$ 106,939</u>

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

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Statement of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Financial Information for the Year Ended December 31, 2012)

	2013	2012
Cash Flows From Operating Activities		
Cash received from room tax	\$ 3,649,866	\$ 3,538,404
Cash payments for operating expenses	(121,561)	(140,831)
Cash remitted to contracted tourism entity	(2,407,942)	(2,294,240)
Cash remitted to municipalities	(1,089,618)	(1,044,999)
Net Cash Provided by Operating Activities	<u>30,745</u>	<u>58,334</u>
Change in Cash and Cash Equivalents	30,745	58,334
Cash and Cash Equivalents - January 1	<u>194,530</u>	<u>136,196</u>
Cash and Cash Equivalents - December 31	<u>\$ 225,275</u>	<u>\$ 194,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ 38,598	\$ (2,566)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in operating assets and liabilities		
Accounts receivable	(18,022)	30,072
Prepaid items	3,129	(428)
Accounts payable	7,469	30,719
Accrued payroll	278	(477)
Deposits	(707)	1,014
Net Cash Provided by Operating Activities	<u>\$ 30,745</u>	<u>\$ 58,334</u>

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

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2013

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 entire Door County, Wisconsin area. All of the individual cities, villages and towns of Door County are members of the Commission by agreement. This includes: City of Sturgeon Bay, the Villages of Egg Harbor, Ephraim, Forestville and Sister Bay and the Towns of Baileys Harbor, Brussels, Clay Banks, Egg Harbor, Forestville, Gardner, Gibraltar, Jacksonport, Liberty Grove, Nasewaupee, Sevastopol, Sturgeon Bay, Union and Washington.

The 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 municipal agreements was five years from the effective date of January 1, 2007. After the first five years, any member may withdraw, without penalty, from the agreement upon giving the Commission six months-notice.

The Commission has not identified any potential component units as defined in GASB Statement No. 61.

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.

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2013

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, liabilities and deferred outflows/inflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

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.

The Commission records expenses for disbursements to the contracted tourism entity and for distributions to municipalities.

4. Net Position

Net position is classified into the following three components:

- *Net investment in capital assets* - This component of net position 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 "net investment in capital assets". Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position 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 position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Commission currently does not have any items that qualify for reporting in this category.

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

NOTE B - CASH AND INVESTMENTS

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 \$225,275 on December 31, 2013 as summarized below:

Deposits with financial institutions	<u>\$ 225,275</u>
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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.

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE B - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, 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, 2013, none of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits.

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. The second amendment to the agreement was approved in May of 2012. 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 was for five years, consistent with the term of the Tourism Zone Commission Intergovernmental Agreement and thereafter renewable automatically on a year-to-year basis, unless either party to this agreement, with at least six months-notice, declines the renewal position.

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.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN**

Schedule of Room Tax Revenue by Municipality
For the Years Ended December 31, 2013, 2012, 2011, 2010, and 2009

Municipality	2013	2012	2011	2010	2009
City of Sturgeon Bay	\$ 530,735	\$ 486,348	\$ 472,526	\$ 455,019	\$ 432,359
Village of Egg Harbor	337,418	325,745	312,795	306,895	289,063
Village of Ephraim	455,180	453,616	422,280	420,963	391,087
Village of Sister Bay	431,823	419,953	406,652	397,221	385,098
Town of Baileys Harbor	256,274	246,503	229,505	232,955	224,533
Town of Clay Banks	3,143	2,387	1,789	1,044	1,849
Town of Egg Harbor	301,351	298,948	278,059	265,708	237,369
Town of Forestville	78	44	17	-	-
Town of Gardner	23,484	23,234	23,684	24,000	22,250
Town of Gibraltar	573,775	538,808	503,866	489,960	462,374
Town of Jacksonport	69,299	68,167	66,829	64,214	58,864
Town of Liberty Grove	241,693	227,348	207,081	205,584	207,777
Town of Nasewaupee	75,942	70,969	62,676	68,396	67,074
Town of Sevastopol	259,452	251,109	230,439	221,777	207,222
Town of Sturgeon Bay	22,101	16,578	14,269	15,315	12,277
Town of Union	84	405	623	744	403
Town of Washington	62,007	62,156	56,349	56,329	58,689
Total	\$ 3,643,839	\$ 3,492,318	\$ 3,289,439	\$ 3,226,124	\$ 3,058,288



**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Door County Tourism Zone Commission as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Door County Tourism Zone Commission's basic financial statements, and have issued our report thereon dated April 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Door County Tourism Zone Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Door County Tourism Zone Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Door County Tourism Zone Commission'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

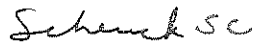


Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Door County Tourism Zone Commission'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 Door County Tourism Zone Commission's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
April 10, 2014