

DOOR COUNTY TOURISM ZONE COMMISSION

SISTER BAY, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011



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, 2011, 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 2010 financial statements and, in our report dated April 16, 2011, 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, 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 Commission as of December 31, 2011, 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 9, 2012, 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* and should be considered in assessing the results of our audit.



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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The financial information listed in the table of contents as supplemental information, is presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Certified Public Accountants
Green Bay, Wisconsin
April 9, 2012

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

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011

(With Comparative Financial Information for the Year Ended December 31, 2010)

	2011	2010
Operating Revenues		
Room tax	\$ 3,289,439	\$ 3,226,124
Late fees and interest	27,530	17,858
Total Operating Revenues	<u>3,316,969</u>	<u>3,243,982</u>
Operating Expenses		
Administration		
Professional fees	69,913	78,025
Legal	15,641	12,175
Office	29,372	27,550
Insurance	2,590	3,211
Miscellaneous	4,831	4,785
Total Administration	<u>122,347</u>	<u>125,746</u>
Payments to Door County Visitor Bureau	2,158,652	2,134,264
Distributions to municipalities	981,206	970,120
Total Operating Expenses	<u>3,262,205</u>	<u>3,230,130</u>
Change in Net Assets	54,764	13,852
Net Assets - January 1	<u>54,741</u>	<u>40,889</u>
Net Assets - December 31	<u>\$ 109,505</u>	<u>\$ 54,741</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, 2011

(With Comparative Financial Information for the Year Ended December 31, 2010)

	2011	2010
Cash Flows From Operating Activities		
Cash received from room tax	\$ 3,286,470	\$ 3,270,613
Cash payments for operating expenses	(124,767)	(124,283)
Cash remitted to contracted tourism entity	(2,149,333)	(2,150,511)
Cash remitted to municipalities	(976,970)	(977,506)
Net Cash Provided by Operating Activities	<u>35,400</u>	<u>18,313</u>
Change in Cash and Cash Equivalents	35,400	18,313
Cash and Cash Equivalents - January 1	<u>100,796</u>	<u>82,483</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 136,196</u></u>	<u><u>\$ 100,796</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 54,764	\$ 13,852
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities		
Accounts receivable	(29,687)	26,094
Prepaid items	(2,701)	-
Accounts payable	13,749	(22,482)
Accrued payroll	87	312
Deposits	(812)	537
Net Cash Provided by Operating Activities	<u><u>\$ 35,400</u></u>	<u><u>\$ 18,313</u></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, 2011

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 terms of the municipal agreements are 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.

DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2011

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.

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

4. 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".

5. 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.

6. 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
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2011

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 \$136,196 on December 31, 2011 as summarized below:

Deposits with financial institutions	<u>\$ 136,196</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.

Deposits with Financial Institutions

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 risk policy.

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 time and savings deposits and \$250,000 for interest 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 all time accounts, savings accounts and interest bearing demand deposit accounts per official custodian per depository institution. In addition, the Commission's non-interest bearing transaction accounts are fully insured through December 31, 2012. 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, 2011, none of the Commission's bank balances 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. 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
SISTER BAY, WISCONSIN
Notes to Financial Statements
December 31, 2011

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.

Retirement Commitments

The Commission's employee participates in the Wisconsin Retirement System (WRS), a cost-sharing, defined benefit, multiple-employer public employee retirement system. All permanent employees hired before July 1, 2011 and expected to work over 600 hours a year, or hired on or after July 1, 2011 and expected to work over 1200 hours a year, are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the Commission employee covered by the WRS for the year ended December 31, 2011 was \$16,591; the employer's total payroll was \$16,591. The total required contribution for the year ended December 31, 2011 was \$1,978, which consisted of \$1,521, or 8.92% of covered payroll from the employer and \$457, or 2.68% of covered payroll from the employee. The required contribution for the employee for the year ended December 31, 2011 was financed by the Commission. Total contributions for the year ending December 31, 2010 and 2009 were \$1,769 and \$1,690, equal to the required contribution that year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting an application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

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

Schedule of Room Tax Revenue by Municipality
For Years Ended December 31, 2011, 2010, 2009, 2008, and 2007

Municipality	2011	2010	2009	2008	2007
City of Sturgeon Bay	\$ 472,526	\$ 455,019	\$ 432,359	\$ -	\$ -
Village of Egg Harbor	312,795	306,895	289,063	308,553	279,129
Village of Ephraim	422,280	420,963	391,087	385,447	387,429
Village of Sister Bay	406,652	397,221	385,098	414,585	395,093
Town of Baileys Harbor	229,505	232,955	224,533	217,141	195,360
Town of Clay Banks	1,789	1,044	1,849	-	-
Town of Egg Harbor	278,059	265,708	237,369	247,856	215,141
Town of Forestville	17	-	-	-	-
Town of Gardner	23,684	24,000	22,250	13,215	-
Town of Gibraltar	503,866	489,960	462,374	458,940	416,330
Town of Jacksonport	66,829	64,214	58,864	54,505	41,268
Town of Liberty Grove	207,081	205,584	207,777	202,314	191,606
Town of Nasewaupsee	62,676	68,396	67,074	65,483	35,150
Town of Sevastopol	230,439	221,777	207,222	210,720	182,612
Town of Sturgeon Bay	14,269	15,315	12,277	-	-
Town of Union	623	744	403	-	-
Town of Washington	56,349	56,329	58,689	56,844	23,537
Total	<u>\$ 3,289,439</u>	<u>\$ 3,226,124</u>	<u>\$ 3,058,288</u>	<u>\$ 2,635,603</u>	<u>\$ 2,362,655</u>