

DOOR COUNTY TOURISM ZONE COMMISSION

SISTER BAY, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2009

DOOR COUNTY TOURISM ZONE COMMISSION  
SISTER BAY, WISCONSIN  
December 31, 2009

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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, 2009, 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 2008 financial statements and, in our report dated April 14, 2009, 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, 2009, 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 12, 2010, 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 12, 2010

## FINANCIAL STATEMENTS

DOOR COUNTY TOURISM ZONE COMMISSION  
SISTER BAY, WISCONSIN  
Statement of Net Assets  
December 31, 2009  
(With Summarized Financial Information as of December 31, 2008)

	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 82,483	\$ 173,440
Accounts receivable	95,168	52,738
Total Assets	<u>177,651</u>	<u>226,178</u>
<b>LIABILITIES</b>		
Accounts payable	135,271	198,515
Accrued payroll liabilities	849	688
Deposits and deferred revenues	642	295
Total Liabilities	<u>136,762</u>	<u>199,498</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 40,889</u>	<u>\$ 26,680</u>

The notes to the basic 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 Assets  
Year Ended December 31, 2009

(With Summarized Financial Information for the Year Ended December 31, 2008)

	2009	2008
Operating Revenues		
Room tax	\$ 3,062,033	\$ 2,635,603
Late fees and interest	14,040	-
Total Operating Revenues	<u>3,076,073</u>	<u>2,635,603</u>
Operating Expenses		
Administration		
Professional fees	74,901	86,130
Legal	15,668	13,745
Office	28,835	21,060
Insurance	2,127	2,760
Advertising	102	447
Miscellaneous	10,615	3,560
Total Administration	<u>132,248</u>	<u>127,702</u>
Payments to Door County Visitor Bureau	2,014,129	2,622,839
Distributions to municipalities	915,514	790,172
Total Operating Expenses	<u>3,061,891</u>	<u>3,540,713</u>
Operating Income (Loss)	14,182	(905,110)
Nonoperating Revenues		
Interest income	<u>27</u>	<u>6,680</u>
Change in Net Assets	14,209	(898,430)
Net Assets - January 1	<u>26,680</u>	<u>925,110</u>
Net Assets - December 31	<u>\$ 40,889</u>	<u>\$ 26,680</u>

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



**DOOR COUNTY TOURISM ZONE COMMISSION**  
**SISTER BAY, WISCONSIN**  
Statement of Cash Flows  
Year Ended December 31, 2009  
(With Summarized Financial Information for the Year Ended December 31, 2008)

	2009	2008
Cash Flows From Operating Activities		
Cash received from room tax	\$ 3,033,990	\$ 2,638,833
Cash payments for operating expenses	(208,525)	(37,967)
Cash remitted to contracted tourism entity	(2,000,935)	(2,547,839)
Cash remitted to municipalities	(915,514)	(793,337)
Net Cash Provided (Used) by Operating Activities	<u>(90,984)</u>	<u>(740,310)</u>
Cash Flows From Investing Activities		
Interest income	<u>27</u>	<u>6,680</u>
Change in Cash and Cash Equivalents	(90,957)	(733,630)
Cash and Cash Equivalents - January 1	<u>173,440</u>	<u>907,070</u>
Cash and Cash Equivalents - December 31	<u>\$ 82,483</u>	<u>\$ 173,440</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 14,182	\$ (905,110)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in operating assets and liabilities		
Accounts receivable	(42,430)	3,457
Accounts payable	(63,244)	160,882
Accrued payroll	161	688
Deposits	347	(227)
Net Cash Provided (Used) by Operating Activities	<u>\$ (90,984)</u>	<u>\$ (740,310)</u>

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



**DOOR COUNTY TOURISM ZONE COMMISSION**  
**SISTER BAY, WISCONSIN**  
Notes to Financial Statements  
December 31, 2009

**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: 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.

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**  
**SISTER BAY, WISCONSIN**  
Notes to Financial Statements  
December 31, 2009

**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.

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**  
**SISTER BAY, WISCONSIN**  
Notes to Financial Statements  
December 31, 2009

**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 \$82,483 on December 31, 2009 as summarized below:

Deposits with financial institutions	\$ 82,483
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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 June 30, 2010. 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, 2009, none 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 risk 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**  
**SISTER BAY, WISCONSIN**  
Notes to Financial Statements  
December 31, 2009

**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 expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% 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 Commission employee covered by the WRS for the year ended December 31, 2009 was \$16,253; the employer's total payroll was \$16,253. The total required contribution for the year ended December 31, 2009 was \$1,690, which consisted of \$731, or 4.5% of covered payroll from the employer and \$959, or 5.9% of covered payroll from the employee. The required contribution for the employee for the year ended December 31, 2009 was financed by the Commission. The year ended December 31, 2009 was the first year the Commission participated in the WRS.

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.

## **SUPPLEMENTAL INFORMATION**



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

Schedule of Room Tax Revenue by Municipality  
Periods Ended December 31, 2009, 2008, and 2007

	2009	2008	2007
Municipality			
City of Sturgeon Bay	\$ 432,359	\$ -	\$ -
Village of Egg Harbor	289,063	308,553	279,129
Village of Ephraim	391,087	385,447	387,429
Village of Sister Bay	385,098	414,585	395,093
Town of Baileys Harbor	224,533	217,141	195,360
Town of Clay Banks	1,849	-	-
Town of Egg Harbor	237,369	247,856	215,141
Town of Gardner	24,795	13,215	-
Town of Gibraltar	462,374	458,940	416,330
Town of Jacksonport	58,864	54,505	41,268
Town of Liberty Grove	207,777	202,314	191,606
Town of Nasewaupee	67,074	65,483	35,150
Town of Sevastopol	207,222	210,720	182,612
Town of Sturgeon Bay	13,477	-	-
Town of Union	403	-	-
Town of Washington	58,689	56,844	23,537
Total	<u>\$ 3,062,033</u>	<u>\$ 2,635,603</u>	<u>\$ 2,362,655</u>