

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Door County Tourism Zone Commission, Sister Bay, Wisconsin (the Commission), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the Commission, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit for the year ended December 31, 2022 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of room tax revenue by municipality for the year ended December 31, 2022 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2022 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 GAAS. In our opinion, the schedule of room tax revenue by municipality is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2022.

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

We also previously audited, in accordance with GAAS, the basic financial statements of the Commission as of and for the years ended December 31, 2021, 2020, 2019, 2018 and 2017 (not presented herein), and we expressed unmodified opinions on those financial statements. The schedule of room tax revenue by municipality for the years ended December 31, 2021, 2020, 2019, 2018 and 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the December 31, 2021, 2020, 2019, 2018 and 2017 financial statements. The information was subjected to the audit procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended December 31, 2021, 2020, 2019, 2018 and 2017.

Report on Summarized Financial Information

We have previously audited the Commission's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and fiduciary type activities in our report dated May 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 August 9, 2023, 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 solely 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 effectiveness of the Commission's 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.



CliftonLarsonAllen LLP

Wausau, Wisconsin
August 9, 2023

FINANCIAL STATEMENTS

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021**

	2022	2021
ASSETS		
Current Assets:		
Cash and Investments	\$ 378,209	\$ 310,886
Accounts Receivable:		
Other	701	148
Total Current Assets	378,910	311,034
Other Assets:		
Net Pension Asset	29,304	22,222
Capital Assets:		
Nondepreciable	4,169	4,169
Depreciable	3,496	3,603
Total Capital Assets	7,665	7,772
Total Assets	415,879	341,028
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	57,738	37,521
LIABILITIES		
Current Liabilities:		
Accounts Payable	20,021	10,772
Accrued and Other Current Liabilities	2,554	1,438
Total Current Liabilities	22,575	12,210
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	69,102	49,453
NET POSITION		
Investment in Capital Assets	7,665	7,772
Restricted		
Pension Benefits	29,304	22,222
Unrestricted	344,971	286,892
Total Net Position	\$ 381,940	\$ 316,886

See accompanying Notes to Financial Statements.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Administrative Charge for Room Tax Collection Services	\$ 291,930	\$ 291,176
Late Fees and Interest	51,197	41,235
Total Operating Revenues	<u>343,127</u>	<u>332,411</u>
OPERATING EXPENSES		
Administration	74,535	82,653
Professional fees	156,728	111,258
Legal	25,174	48,466
Office	8,932	13,462
Insurance	3,666	3,390
Advertising	-	260
Miscellaneous	9,169	6,788
Depreciation	107	107
Total Operating Expenses	<u>278,311</u>	<u>266,384</u>
OPERATING INCOME (LOSS)	64,816	66,027
NONOPERATING REVENUES		
Interest Income	<u>238</u>	<u>-</u>
CHANGE IN NET POSITION	65,054	66,027
Net Position - Beginning of Year	<u>316,886</u>	<u>250,859</u>
NET POSITION - END OF YEAR	<u>\$ 381,940</u>	<u>\$ 316,886</u>

See accompanying Notes to Financial Statements.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Room Tax Administrative Charge	\$ 342,574	\$ 332,263
Cash Paid for Employee Wages and Benefits	(81,069)	(91,179)
Cash Paid to Suppliers	(194,420)	(181,456)
Net Cash Provided (Used) by Operating Activities	67,085	59,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	238	-
CHANGE IN CASH AND CASH EQUIVALENTS	67,323	59,628
Cash and Cash Equivalents - Beginning of Year	310,886	251,258
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 378,209	\$ 310,886
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 64,816	\$ 66,027
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	107	107
Change In Pension Related Activities:		
Net Pension Asset	(7,082)	(12,976)
Deferred Outflows of Resources	(20,217)	(14,739)
Deferred Inflows of Resources	19,649	20,320
Change in Operating Assets and Liabilities:		
Accounts Receivable	(553)	(148)
Prepaid Items	-	1,929
Accounts Payable	9,249	239
Accrued and Other Current Liabilities	1,116	(1,131)
Net Cash Provided (Used) by Operating Activities	\$ 67,085	\$ 59,628

See accompanying Notes to Financial Statements.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
TAX COLLECTION CUSTODIAL FUND
DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021**

	2022	2021
ASSETS		
Current Assets:		
Cash and Investments	\$ 453,936	\$ 365,422
Receivables:		
Accounts, Net	198,034	155,022
Total Current Assets	651,970	520,444
Noncurrent Assets:		
Restricted Assets		
Cash and Investments	928,196	-
Total Assets	\$ 1,580,166	\$ 520,444
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 400,139	\$ 401,471
Due to Other Governments	251,130	116,927
Unearned Revenue	701	2,046
Total Liabilities	\$ 651,970	\$ 520,444
FIDUCIARY NET POSITION		
Restricted for Other Governments and Organizations	\$ 928,196	\$ -

See accompanying Notes to Financial Statements.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TAX COLLECTION CUSTODIAL FUND
YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021**

	2022	2021
ADDITIONS		
Room Tax Collections	\$ 11,074,315	\$ 7,279,397
DEDUCTIONS		
Payments to Municipalities	3,322,295	2,183,820
Payments to Commission for Administration	-	291,175
Payments to Visitors Bureau	6,823,824	4,804,402
Total Deductions	10,146,119	7,279,397
CHANGE IN NET POSITION	928,196	-
Fiduciary Net Position - Beginning of Year	-	-
FIDUCIARY NET POSITION - END OF YEAR	\$ 928,196	\$ -

See accompanying Notes to Financial Statements.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Door County Tourism Zone Commission, Door County, Wisconsin (the Commission), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Commission are described below:

A. Reporting Entity

The Commission was 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 city, villages, and towns of Door County are members of the Commission by agreement. This includes the City of Sturgeon Bay, the Villages of Egg Harbor, Ephraim, and Sister Bay, and the Towns of Baileys Harbor, Brussels, Clay Banks, Egg Harbor, Forestville, Gardner, Gibraltar, Jacksonport, Liberty Grove, Nasewaupsee, Sevastopol, Sturgeon Bay, Union, and Washington.

The municipalities in the tourism zone enacted a room tax ordinance to collect a 8% 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 lodging facility is located.
- 70% to be distributed to a contracted tourism entity in accordance with an agreed-upon budget.

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 component units that are required to be included in the financial statements in accordance with standards.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Statements

The accounts of the Commission are accounted for in an enterprise fund as required by GAAP. Enterprise funds are used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through charges for services; or (b) where the governing body has decided that periodic determination of revenues earned, and expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

The Door County Tourism Zone Commission reports the following major proprietary fund:

Tourism Zone Commission Enterprise Fund

This is the Door County Tourism Zone Commission's primary operating fund. It accounts for all financial resources of the Commission, except those accounted for in another fund.

The Door County Tourism Zone Commission also reports the following fiduciary fund:

The custodial fund accounts for room tax collections and special charges collected on behalf of other governments.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. An enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statement 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.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission is room tax collections. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash and Investments

Cash and investments consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

3. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefited.

4. Capital Assets

Capital assets, which include land and building improvements, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	39 Years
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**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

5. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses and revenues are deferred until the future periods to which the outflows and inflows are applicable.

7. Net Position

Equity is classified as net position and displayed in three components:

- **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. Summarized Financial Information

Summarized financial information for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Commission's financial position and operations. The summarized financial information is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2021, from which the summarized information was derived

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Commission maintains one cash account which is pooled for use of all funds of the Commission. Each fund's portion of this account is displayed on the financial statements as "Cash and Investments".

Wisconsin Statutes restrict the types of cash and investments 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 \$1,760,341 on December 31, 2022 consist entirely of deposits with financial institutions. The reconciliation to the financial statements of this total is summarized below:

Enterprise Fund:	
Cash and Investments	\$ 378,209
Fiduciary Fund Statement of Net Position:	
Custodial Fund	
Cash and Investments	453,936
Restricted Cash and Investments	928,196
	\$ 1,760,341

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. 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. The Commission does not have an additional custodial credit 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 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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2022, \$1,189,928 of the Commission's deposits with financial institutions were in excess of federal and state depository insurance limits.

B. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 4,169	\$ -	\$ -	\$ 4,169
Capital Assets, Depreciable:				
Buildings and Improvements	4,169	-	-	4,169
Less: Accumulated Depreciation For:				
Buildings and Improvements	566	107	-	673
Total Capital Assets, Depreciable, Net	3,603	(107)	-	3,496
Total Capital Assets, Net	<u>\$ 7,772</u>	<u>\$ (107)</u>	<u>\$ -</u>	<u>\$ 7,665</u>

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Pension Plan

1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible state of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/publications/cafr.htm>

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 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupations, 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employee prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Pension Plan (Continued)

2. Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2012	-7	-7
2013	-9.6	9
2014	4.7	25
2015	2.9	2
2016	0.5	-5
2017	2	4
2018	2.4	17
2019	0	-10
2020	1.7	21.0
2021	5.1	13

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2022, the WRS recognized \$4,612 in contributions from the District.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Pension Plan (Continued)

3. Contributions (Continued)

Contribution rates for the reporting period are (per the WRS Employer Rates website for 2021):

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives and Elected Officials)	6.50%	6.50%
Protective with Social Security	6.50%	12.00%
Protective without Social Security	6.50%	16.40%

4. Pension Liabilities, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Commission reported an asset of \$29,304 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Commission's proportion of the net pension asset was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the Commission's proportion was 0.00036357%, which was an increase of 0.00000762% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the Commission recognized pension expense of \$2,935.

At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 47,337	\$ 3,413
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	65,556
Changes in Assumptions	5,466	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	323	133
Employer Contributions Subsequent to the Measurement Date	4,612	-
Total	<u>\$ 57,738</u>	<u>\$ 69,102</u>

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Pension Plan (Continued)

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$4,452 reported as deferred outflows related to pension resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Expenses</u>
2023	\$ (1,320)
2024	(7,833)
2025	(3,482)
2026	(3,341)
Total	<u>\$ (15,976)</u>

5. Actuarial Assumptions

The total pension asset in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2020 Mortality Table
Post-Retirement Adjustments*	1.7%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0%	4.3%	1.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%
Real Estate	7.0%	5.6%	3.0%
Private Equity/Debt	12.0%	9.7%	7.0%
Cash	(15.0%)	0.9%	N/A
Total Core Fund	<u>100.0%</u>	6.6%	4.0%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.3%	4.1%
International Equities	30.0%	7.2%	4.9%
Total Variable Fund	<u>100.0%</u>	6.8%	4.6%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 6.80% was used to measure the total Pension Liability, as opposed to a discount rate of 7.00% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

Sensitivity of the Commission’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Commission’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the Commission’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 20,793	\$ (29,304)	\$ (65,365)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

6. Payables to the Pension Plan

At December 31, 2022, the Commission reported \$778 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2022.

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 OTHER INFORMATION

A. 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. The third amendment to the agreement was approved in May of 2022. In accordance with the agreement, the DCVB is appointed the agent of the Commission. The Commission is obligated to distribute 70% of monthly room tax to the DCVB consistent with their annual adopted budget. The commission has no obligation to make disbursements beyond the approved annual budget or actual room tax revenues collected, whichever is less. All monthly room tax revenue collected by the Commission that must be spent on tourism promotion or tourism development that is in excess to the amount provided in the annual budget for that month shall be retained by the Commission in a Reserve Fund.

The term of the agreement is for three years and is renewable automatically. Either party to this agreement may terminate the agreement at any time upon one-hundred eighty days prior written notice.

B. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. Payments of premiums for these policies are recorded as expenses of the Commission. The Commission completed an annual review of its insurance coverage to ensure adequate coverage. No settlements exceeded insurance coverage during any of the past three fiscal years.

C. Contingencies

From time to time, the Commission is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Commission's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

<u>Measurement Period Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/17	0.00014356%	\$ (4,262)	\$ 20,617	20.67%	102.93%
12/31/18	0.00025655%	9,127	55,500	16.45%	96.45%
12/31/19	0.00028677%	(9,246)	57,050	-16.21%	102.96%
12/31/20	0.00035595%	22,222	57,050	38.95%	105.26%
12/31/21	0.00036357%	29,304	65,957	44.43%	106.02%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal Year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/17	\$ 1,402	\$ 1,402	\$ -	\$ 20,617	6.80%
12/31/18	3,718	3,718	-	55,500	6.70%
12/31/19	3,737	3,737	-	57,050	6.55%
12/31/20	3,956	3,956	-	58,600	6.75%
12/31/21	4,452	4,452	-	64,958	6.85%
12/31/22	4,612	4,612	-	71,095	6.49%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. No significant change in assumptions were noted from the prior year.

The Commission is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

**DOOR COUNTY TOURISM ZONE COMMISSION
SISTER BAY, WISCONSIN
SCHEDULE OF ROOM TAX REVENUE BY MUNICIPALITY
YEARS ENDED DECEMBER 31, 2022, 2021, 2020, 2019, AND 2018**

MUNICIPALITY	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City of Sturgeon Bay	\$ 1,450,464	\$ 928,101	\$ 567,396	\$ 675,400	\$ 646,494
Village of Egg Harbor	857,557	569,907	389,592	456,360	428,686
Village of Ephraim	1,252,795	832,686	557,426	621,376	603,597
Village of Sister Bay	1,596,759	986,432	585,155	654,702	607,588
Town of Baileys Harbor	864,735	591,279	391,679	392,061	370,552
Town of Clay Banks	25,125	11,341	7,108	4,342	6,009
Town of Egg Harbor	983,817	659,413	413,489	468,388	441,745
Town of Forestville	2,631	2,448	16	618	390
Town of Gardner	123,081	67,819	44,248	40,218	36,483
Town of Gibraltar	1,461,341	999,678	708,070	767,236	733,021
Town of Jacksonport	260,290	173,279	128,119	104,089	96,810
Town of Liberty Grove	826,007	551,048	352,495	355,937	356,367
Town of Nasewaupée	346,478	203,009	132,816	118,357	104,257
Town of Sevastopol	692,028	475,972	341,590	339,650	334,449
Town of Sturgeon Bay	106,015	69,180	56,098	42,718	37,806
Town of Union	36,511	22,287	13,225	5,756	3,902
Town of Washington	188,681	135,518	93,295	92,509	84,055
	<u>188,681</u>	<u>135,518</u>	<u>93,295</u>	<u>92,509</u>	<u>84,055</u>
Total	<u>\$ 11,074,315</u>	<u>\$ 7,279,397</u>	<u>\$ 4,781,817</u>	<u>\$ 5,139,717</u>	<u>\$ 4,892,211</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR FINANCIAL STATEMENTS**



**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 business-type activities and fiduciary activities of the Door County Tourism Zone Commission, Sister Bay, Wisconsin, (the Commission) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated August 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

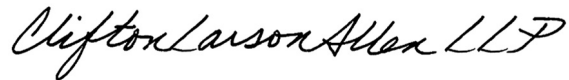
To the Commissioners
Door County Tourism Zone Commission
Sister Bay, Wisconsin

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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 financial statements. 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 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Wausau, Wisconsin
August 9, 2023



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