

1 **DOOR COUNTY TOURISM ZONE COMMISSION**

2 **MINUTES OF THE APRIL 27, 2009**

3 **FINANCE COMMITTEE**

4 **Kerber Rose Offices, Sister Bay**

5  
6 **ACTION ITEMS:**

7 **Konecny to add language to the Notes section, explaining the large differences in figures for**  
8 **the audit** re: reimbursement versus disbursement. He'll also update the list of municipalities.

9 **Lensert and Kufrin signed the Representation Letter** for Schenck's audit files.

10 **Konecny to sent e-mail drafts of audit/management letter to Kufrin for review and make 50**  
11 **finalized copies available by May 8 for meeting packets.**

12 **Konecny will attend the May 14 TZC meeting to review audit/management letter.**

13 **Finance Committee meeting with Associated representatives set for June 9, 10 a.m., at**  
14 **Kerber Rose**, subject to Associated's schedule.

15 **An Associated representative will attend the June 18 TZC meeting to explain investments,**  
16 **subject to Associated's schedule.**

17 **Kufrin to ask Moneypenny for DCVB 2007 audit and eBrains 28-page report.**

18 **Wisconsin Retirement System/Employee Trust payments will be reviewed monthly by**  
19 **Kufrin and/or Nelson before electronic payment is made;** same procedure as Kirkland's  
20 payroll.

21 **Kirkland to send the Finance Committee a listing of all TZC approved motions or actions**  
22 **since its inception, chronological and categorized.**

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23 **Committee Members Present:** Bob Kufrin, Tom Benzshawel, Andy Coulson, Nedd Neddersen,  
24 Bryan Nelson

25  
26 **Also Present:** Mike Konecny, Schenck SC (by phone); Dianne Lensert, Kerber Rose; Kathy  
27 Kirkland, Administrative Assistant

28  
29 **Call to Order**

30 Kufrin called the meeting to order at 10:09 a.m.

31 **Discussion of Draft 2009 Annual Audit**

32 Kufrin explained that the Finance Committee reviews the audit draft before approval by the  
33 entire Commission. About 60 copies will be printed for this purpose; additional copies are sent to  
34 member municipalities.

35  
36 Konecny was put on speakerphone and went through the Audit draft and Management Letter  
37 (attached hereto and considered part of the record).

38  
39 **Auditors' Report on Financial Statements** – Page 1, the 3<sup>rd</sup> paragraph reflects the operation  
40 and cash flows. Kufrin asked about the last paragraph on page 1 re: “management discussion and  
41 analysis.” What does that entail? Konecny stated that government accounting standards set in  
42 2004 suggest that government entities put forward a management-type discussion—generally, an  
43 analysis of about eight pages—similar to what a president of a corporation would do. However,  
44 most of Schencks' municipality clients do not; it's more common with counties. Konecny said  
45 while it's not unusual to omit that report, Schenck is required to mention that it's not there. It's  
46 not a true irregularity.

47  
48 **Net Assets:** The significant change in structure from 2007 was based on TZC minutes and  
49 directives: 2007 showed money we were holding and did not remit to the DCVB as part of net  
50 assets; in 2008, we changed the reimbursement method, so money is no longer restricted. It's  
51 shown as Accounts Payable, \$878,164, because the money has been disbursed to the Door  
52 County Visitor Bureau (DCVB).

53  
54 Coulson asked about Accounts Payable; is that money paid to municipalities? Konecny: Yes, as  
55 there was in 2007, but about \$130,000 is for the DCVB. Kufrin said we retained about \$75,000  
56 for cash flow purposes in 2008. Lensert said there were proceeds not yet collected as well, but it  
57 moved from restricted funds to payable.

58  
59 Kufrin asked if that change warrants a note in the financial statement. From how the numbers  
60 look, no one would know why it happened without explanation. Konecny said he can add some  
61 language to “C” on page 8; Kufrin felt the separate note to explain the accounting change would  
62 draw more attention if put under Note A. It was noted the word “reimbursed” is still used and  
63 should be changed to “disbursed.”

64  
65 **Revenues, Expenses, Changes in Net Assets (pg 4)** – The TZC had Operating Revenues of  
66 approximately \$2.6 million in 2008 and \$2.4 in 2007. With expenses and payments to the DCVB  
67 and municipalities, total operating expenses were \$3.5 million. There's some interest income.  
68 We have an operating loss because of money sitting in equity and disbursed in 2008. The change

69 in assets from \$925,110 to \$26,680 looks odd. Over two years, we're in the plus category, but  
70 it's a timing factor. Kuftrin noted that some Commission members may not remember why it  
71 looks this way; it will generate questions.

72

73 **Cash Flows (pg 5)** – Operating Activities shows direct cash transactions in collections,  
74 expenses, and payments. The negative \$740,310 is due to the same reason: paying out money  
75 from equity. The cash balance decreased for the year \$733,630 down from \$907,070. Kuftrin  
76 asked why the difference for cash received from Room Tax: This says \$2,306,982 but on page 4  
77 it's a different number. Konecny said this is cash flow; the difference between recognizing room  
78 tax as payable but not necessarily received. Same thing with payables; if we didn't write a check  
79 for a bill in 2008, it won't show as cash disbursement on page 5.

80

81 **Summary of Accounting Policies (pg 6)** – Konecny will change Note 1 to reflect all the current  
82 municipalities and their effective dates. Pages 6 and 7 haven't changed from last year's audit.

83

84 **Investments (pg 8)** – Investments shows bank balances and the “carrying amount” of cash  
85 \$173,440; the TZC had a quite a high bank balance because of outstanding checks at end of the  
86 year. There are some uninsured and uncollateralized cash balances. Kuftrin asked about net  
87 assets; where are the assets that the Commission has: computers, software, etc.? Konecny  
88 pointed out the “net worth” on page 3 as \$26,680. Office equipment is expensed. The Bay Lake  
89 software of \$15,000 (Bay Lake) is more of a service fee than asset; we don't own the program.  
90 Konecny said the assets could be detailed out, but he doesn't see it often in a government setting.  
91 The net worth minimal listing is usually \$2,000 or \$5,000.

92

93 **Tax Revenue by Municipality (pg 9)** – Total room tax paid to each municipalities for 2008. A  
94 history of years will be added as we go. The fluctuation from year to year is due to new  
95 municipalities added in mid-year; by 2010's audit, there will be two full 12-month periods.

96

97 **Assets in Excess of Federal Insurance.** The cash balances are quickly in and out, not sitting  
98 with large balances, even though the end of year had an abnormally large balance. Note D:  
99 Insurance. Konecny said the c and outstanding checks are the exposures. The FDIC covers  
100 \$250,000, and State insurance coverage is \$400,000. Apparently the check written to the DCVB  
101 in December hadn't cleared yet; that's Konecny's assumption. Benzshawel noted that the FDIC  
102 is returning to a maximum of \$100,000 insurance in 2010. It was discussed that Associated Bank  
103 has a \$1 million insurance but only if the TZC's interest is less than .5%.

104

105 **MANAGEMENT LETTER** – Konecny stated that the first part requires communication of  
106 various items: significant deficiency, difficulties, uncorrected misstatements, disagreements with

107 management, etc. There were none of those things in the TZC audit. Last year, there was an  
108 internal control about review of bank statements and accounting records by a Commission  
109 member, which was fixed.

110

111 **Internal Control Report (pgs 1–2)** – Similar to the first part, noting material weaknesses and  
112 compliance with laws and regulations. There were no material weaknesses noted.

113

114 Konecny noted that, as with last year, the signed arrangement with Kerber Rose seems to be  
115 working out well. The auditors were given sufficient access and records to trace transactions,  
116 collections for various lodging places, and it all came out perfectly. Konecny asked if the DCVB  
117 ever filed an audit report for 2007 with the TZC? Kufrin said that in fall 2007, it came to light  
118 that the DCVB had never been audited, and the TZC said it'd pay for an audit; we heard that one  
119 was done but we've never seen it. The DCVB objected to sharing their audit with a public entity  
120 since it is a private company; Konecny said it's part of the deal that the DCVB share it's records  
121 if another entity is funding it. Nelson noted that the DCVB 2008 audit will be done in 45 days.

122

123 Kufrin asked Konecny if he could come to the May 14 Commission meeting and go through the  
124 same presentation; it was useful for the Commissioners last year. Konecny felt he could explain  
125 the accounting changes; he put it on his schedule. If Konecny sends 50 copies of the edited  
126 version to Kirkland by Friday, May 8, she can send them out in the packets. Konecny will e-mail  
127 the second draft to Kufrin for review.

128

129 Lensert asked who should be signatory on the representation letter. Konecny said since the TZC  
130 is delegating recordkeeping to a contracted entity, it would be Kerber Rose. Normally, it's  
131 appropriate to have the Commission president sign; Kufrin and Lensert signed the letter. (Call to  
132 Konecny ended.)

133

### 134 **Review of Current Investments**

135 Part of the Konecny discussions was balances and insured balances. Kufrin asked Nelson if  
136 Associated could come to the June 18 meeting to explain their function for the TZC. In times of  
137 banking turmoil, might be good to have them there. Nelson will ask Hockers or Lamue if they  
138 can be at the meeting to explain in detail. Nelson will meet with them in June prior to the June 18  
139 TZC meeting to review all instruments.

140

141 Kufrin asked if Associated can work come up with numbers that can be discussed; e.g., as of  
142 May 1 or April 30, how much is in the bank and what kind of programs the TZC is in. Nelson  
143 said at the beginning of July, the accounts will change and start getting interest. Right now, it's

144 all in the checking account. Benzshawel asked about expectations for cash flow. Nelson said the  
145 biggest months are July and August, so making plans in June is the right timing.

146

147 A Finance Committee meeting with Associated was set for Tuesday, June 9, 10 a.m. at Kerber  
148 Rose, if Associated's schedule meshes. Nelson will confirm.

149

### 150 **Discussion of Format of Current Reports**

151 At the April TZC meeting, Lensert prepared a report showing adjusted versus unadjusted.  
152 Lensert said all methods have their faults. Adding the changes to the box at the bottom of reports  
153 is helpful, but unadjusted to unadjusted are not truly comparable until they're final. Occupancy  
154 may vary slightly but percentages/ratio stay about the same.

155

156 Benzshawel asked if the purpose of the reports is to track business trends. Kufrin said it is, but  
157 it's difficult to correlate the numbers. He looked at 2006 and 2007 state sales tax, vehicle travel,  
158 etc., and couldn't get them to correlate to anything. When the DCVB announces the state  
159 numbers on May 11, it'll be interesting to see how Door County's are presented vis-a-vis state  
160 numbers. If everybody's numbers shrunk but ours stayed the same, it's good, even though it's a  
161 larger piece of a smaller pie. The DCVB paid separately for an independent analysis Dept. of  
162 Health will be turning our records over to the State for sales tax. When the figures come out, we  
163 need to spend time to correlate and understand that report as it relates to eBrains to see if they all  
164 match and if it's an impartial review. Nelson asked if the report should come to the Finance  
165 Committee to review first, then give raw data and conclusions to full Commission? Probably so.  
166 Kufrin noted it could be discussed at June meeting, reflecting on expected revenue for the rest of  
167 the year.

168

169 The eBrains report is being studying, and Moneypenny is trying to make sense of it. The eBrains  
170 people should come and explain it personally, Coulson felt. Kufrin asked if we start quizzing  
171 them or is that micromanaging? Our No. 1 job to make sure the DCVB is doing it right. Coulson  
172 felt that if the DCVB is spending that much money on eBrains, the DCVB has to be confident of  
173 that entity. The DCVB must be able to come to us and say, "It's right." Nedderson noted that the  
174 DCVB changed eBrains' marketing toward mid-year instead of earlier. Kufrin said the DCVB  
175 has put off the quarterly reports because their audit is late, but he feels they could have gone  
176 forward without that; the TZC doesn't want to find out once a year that the money is being  
177 poorly allocated. Coulson said the numbers should be easier to explain: How much did we give  
178 you and how did you spend it? Benzshawel asked if we have measurements in place? Kufrin  
179 said we push for specific measures that are listed in the monthly report as important to the TZC.  
180 Coulson said market share is key. Kufrin said he will ask for the eBrains report/executive

181 summary (28 pages long) and the 2007 audit. Nelson added that eBrains' responsibility is Search  
182 Engine Optimization (SEO) and Search Engine Marketing (SEM).

183  
184 Kufrin summarized that the TZC is charged with making DCVB accountable. The DCVB will  
185 couch reports in the best possible light, but we have to judge just how the numbers correlate with  
186 state numbers. Benzshawel asked if any municipality has come forth with expectations of what  
187 TZC should do for them? No, none have. Coulson felt the municipalities will become more  
188 interested if the room tax levels off. There was an early push to specify how municipalities spend  
189 the room tax money, but it was decided it wasn't TZC's place to do so.

190  
191 Kufrin noted that the Health Dept. has found a couple hundred of our permit holders who have  
192 no certificate with them; they'll report back to us. There are probably only a handful of their  
193 health permits that are unpermitted with the TZC. He's surprised the State Dept. of Revenue  
194 hasn't asked us for our database to check sales tax licenses.

195  
196 Benzshawel asked if there's an alternative to using the DCVB if things fall apart? It was noted  
197 that the state requires that the marketing entity be a Visitors Bureau in existence in 1998, so we  
198 could choose another municipality's visitors' entity to handle it, but it would be starting from  
199 scratch. Benzshawel is concerned about the conflict of membership versus TZC business. Could  
200 we tell them we want them no longer to have members? Coulson noted that then it would  
201 become just a lodging organization. Membership is at a reasonable level. Kufrin felt the solution  
202 to non-members who are permit holders isn't in the advertising department (e.g., co-op ads) but  
203 rather having permit holders get a classified-style ad of three or four lines as a listing.

204  
205 **Consideration of Approval of Various Electronic Payroll Payments**  
206 Kufrin said when Kirkland's compensation was reviewed last year, the Commission became a  
207 member in the Wisconsin Retirement System/Employment Trust Fund. Now the first payment is  
208 due; can they be done electronically, similar to payroll, with a member of Finance approving the  
209 totals? Lensert felt it's part of the payroll package, so she felt this use of electronic payment  
210 would be covered as well. Nelson and Kufrin review Kirkland's biweekly timesheets now; the  
211 same system would work for the ETF.

212  
213 **Consideration of Various Financial Policy Recommendations**  
214 Before reinventing the wheel to come up with financial policies, Kirkland will send the Finance  
215 Committee a list of all TZC approved motions or actions since its inception. Kirkland will update  
216 the list and segment the action items by category. Kufrin noted that some financial policies are in  
217 Bylaws and Governmental Agreement. Kirkland noted that compliance may have finance-related  
218 ideas after their three upcoming meetings regarding legal fees, procedures.

219 Nelson asked Benzshawel if there's any value in Kufrin or Nelson coming to a City Council  
220 meeting to make sure Sturgeon Bay's comfort level is there. Benzshawel will suggest that to the  
221 Mayor. Right now, the TZC reports, etc., are not going into individual agenda packets but are  
222 available for review. The City is struggling with the Sturgeon Bay Visitors Center and has to  
223 decide about funding. One objective was to join the Zone but not at the expense of the Visitors  
224 Center.

225  
226 Kufrin stated that Andy Starr wanted to put it on Legislative Days that all Zone municipalities  
227 could increase room tax above the 5.5% if they wanted; however, any such idea has to be  
228 discussed upfront. If it's a future goal, each municipality should think about it and give input.  
229 Money Penny said if the rate is 5.5% and Sister Bay wanted to charge 8%, Sister Bay could  
230 collect higher taxes and the municipality would get a higher 30% return. Kufrin felt it would be a  
231 difficult item and should not be discussed without TZC knowledge.

232  
233 Benzshawel discussed the Community Marketing Fund (CMF) and what happens when the three  
234 years are finished? Kufrin asked if we should be getting interim reports on what kinds of  
235 activities the CMF money is spent on; we shouldn't have to wait until the end of three years to  
236 see if it worked. For example, the Jacksonport money is being given out in quarters to different  
237 entities. Coulson said the money is going to be sorely missed after it's gone; perhaps it could be  
238 done through dues. Kufrin said that, interim reports aside, Money Penny needs to make a  
239 recommendation to the TZC after the three years, reviewing how the CMF money was spent and  
240 structured, and whether to continue it or not.

241  
242 **Adjournment**

243 Kufrin moved to adjourn 12:15. Coulson seconded. All ayes.

244  
245 Respectfully submitted,



246  
247 Kathy Kirkland  
248 Administrative Assistant

249  
250  
251  
252