

# RKLD electors vote down expanded audit

By Jeff Brown  
Reporter staff

Electors overwhelmingly defeated a motion to spend \$8,000 for a financial-statement review at the annual meeting of the Rock-Koshkonong Lake District, held on Saturday morning, August 10.

The district's board had set aside \$40,000 in the proposed 2014 budget for an expanded audit after some electors and the town boards of Albion, Koshkonong, and Milton demanded that district provide more detailed information than the account balance entries contained on the two-page financial statements the district posts on its website and mails to electors along with notice of the annual meeting.

The extra \$40,000 meant that the special charge assessed each year against the approximately 4,000 parcels in the district would rise from \$35 to \$45.

The district's board chairman, Brian Christianson, and its lawyer, Bill O'Connor, contend that the informal audit conducted by the district's treasurer and a certified public accountant meets the requirements of a state statute that requires lake districts to conduct an annual audit. "What the district has historically done is well beyond the minimum that's required by state law," O'Connor told the 90 electors assembled in the auditorium at Fort Atkinson High School.

However, O'Connor told the electors, they were free to require the district to do more. "You can choose what type of audit to have. The annual meeting has control over the annual budget."

Mike Humphrey, a certified public accountant from Summit Accounting Group, Inc., told the electors that his firm charges the district about \$850 each year for working with the lake district's treasurer, Ray Lunder, to perform what he called "a compilation."

"We take the numbers provided



Rock-Koshkonong Lake District elector Brian Daley speaks against a motion to spend \$8,000 on an expanded audit of the district's finances at the district's annual meeting on Saturday, August 10. The motion failed. (Edgerton Reporter photo/Jeff Brown)

Last, said Humphrey, was an audit of the financial statement, which would entail testing account balances, obtaining third-party confirmation of account balances, and reviewing expense accounts. The cost would be between \$9,000 and \$10,000.

"Given the size of the budget, it might be better to do more than less," said elector Barbara McGann, who serves as the Sumner town clerk. She said that while some lake districts around the state have small budgets and can't afford to pay for an in-depth audit, the Rock-Koshkonong Lake District isn't one of them. "It's not a ten-thousand dollar budget. We're talking three or four-hundred thousand dollars. Our town budget is smaller."

After a motion was made and seconded to adopt the 2014 budget, Brian Daley rose and made a motion to strip the \$40,000 audit allocation from the budget.

Electors Charles Mason made a motion to amend the budget and conduct a financial statement review for one year. McGann seconded the motion.

"To go from eight-hundred and fifty dollars to fifty-five hundred dollars just to compare our expenditures to other people's lake districts is a ridiculous waste of money," said elector Linda Harrington. "I think what we're doing is just fine. Is there anybody here who thinks that the money isn't being properly accounted for?"

Electors Evelyn Pace spoke in support of the motion. "We have a lot of money coming into this lake district right now. And I think if we're to be responsible stewards of that money, we need to be spending a reasonable amount of money on making sure the money is going where it ought to go, and to be doing it with responsible accounting standards."

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"We take the numbers provided by a client and put them into the correct spots on the spreadsheet," said Humphrey. "We also make sure that everything is included, that the balance statement makes sense, and that there isn't something sitting out there."

Humphrey told electors that next level of review would be a "financial statement review," which would cost between \$4,500 and \$5,500. "We take the numbers and compare them to prior years, and to other lake districts. We also do an analytical review and ask a few more questions of board members."

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"I'm an accountant. In my opinion, a review is nothing but a glorified sniff test," said elector Brian Daley. "They're not going to do any confirmations of any balances."

Daley suggested that an independent audit committee, made up of electors, could perform the district's audit, and said the extra \$10 charge would be better spent addressing water quality issues in Lake Koshkonong. "I don't see why the burden is on us to fund this, if it's been asked for by external people." Daley's motion died for lack of a second.

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Pace, an Episcopalian minister, said churches regularly conduct similar audits to guard against financial impropriety and chalk it up as a cost of doing business, despite grumbling from church leaders. Daley responded that the financial statement review would not detect fraud or other financial misdeeds.

An elector from the back of the auditorium called the question which required a two-thirds vote to end debate on the motion. That question failed, and discussion continued.

Elector Frank Micale, a former

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member of the lake district board, current member of the Sumner town board, and chairman of the Lake Koshkonong Recreational Association, opposed the motion. "This board has done its job, we've met the statutory requirements, and there's no red herring hanging out there as a discrepancy. We do not need to be wasting our money on an audit that is not necessary." He paused as a burst of loud applause filled the room. "An audit is not going to improve Lake Koshkonong."

The vote was called; only a handful of electors voted in favor, and the motion went down to defeat.

Micale immediately moved that the extra \$40,000 be allocated instead to defray legal costs likely to be incurred by the lake district as it goes back to Rock County circuit court to continue its eight-year legal battle with the state Department of Natural Resources over its order setting the water level on Lake Koshkonong, a battle that's cost the lake district more than \$500,000 in legal fees.

Last month, the Wisconsin Supreme Court ruled that the DNR had impermissibly excluded economic impact evidence when setting the water level and remanded the case back to Rock County circuit court. Micale's motion passed easily.

O'Connor told the electors the state Supreme Court's decision was "already recognized as a landmark decision" for its holding that the public trust doctrine, the constitutional principle under which states regulate the use of navigable waters, did not entitle the DNR to ignore economic impact evidence presented by lakeshore property owners when setting the water level on Lake Koshkonong.

Art Harrington, the lawyer for the Rock River Koshkonong Association and the Lake Koshkonong Recreational Association, both of which joined with the district in the law suit challenging the water level set by DNR, also addressed the electors. "If you're a property owner on Lake Koshkonong, if you have a business on Lake Koshkonong, you bought those businesses and you bought those properties because of the value of that lake, and how it brought value to your properties. And the value proposition for a business or a property is directly related to water levels."

Elector Tim Keller wondered when the water level set by DNR might change now that the Supreme Court has made its decision.

"It's not over," said O'Connor. He said DNR has 30 days to ask the Supreme Court to reconsider its rul-

ing. O'Connor said he doubted the DNR would ask for reconsideration, but he said the 30-day period meant the Supreme Court wouldn't send the case back to Rock County circuit court until the middle of August. He added that he and Harrington received congratulatory messages from their counterparts with the DNR and the state Department of Justice, but have held no discussions with them about the next phase of the case.

"I think what's really remarkable about the case is that for the first time in the 60-some-year history of the Department of Natural Resources, they have to take into consideration economic impacts," said Christianson. "I'm really excited about moving forward and about what we're going to record at the annual meeting next year."

In one sense, the annual meeting was anti-climatic.

Ever since the dispute over the district's disclosure of financial information arose, Christianson has chided those clamoring for the district to disclose more detailed information for lobbying town boards to join the town of Albion's demand letter. He said proponents of an expanded audit should show up at the annual meeting, propose allocating extra money in the proposed budget

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to pay for an expanded audit, and live by the results.

His plea fell on deaf ears.

Albion town chairman Bob Venske, the elector behind the letter from the Albion town board asking the towns of Fulton, Koshkonong, Milton and Sumner to sign on to a request for more detailed information from the district that started the dispute, was a no-show at the annual meeting.

Also missing was Hank Stockwell, the elector who appeared at the Fulton town board meeting in July and presented a petition signed by 68 residents urging the town board to join the town boards of Albion, Koshkonong, and Milton in their effort to pressure the district to provide more detailed financial information.

In other news, the electors re-elected Ray Lunder and elected Joan Huedepohl to the lake district's board. Lunder has served on the board since 2001. Huedepohl, the first woman to serve on the district's board, was appointed earlier this year to fill a vacancy created when Ed Sandner resigned.

After the annual meeting, the board met and elected the following officers: Brian Christianson, chairman; Steve Proud, secretary; and Ray Lunder, treasurer.