

**Johnson & Block**  
AND COMPANY, INC.

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Certified Public Accountants

**AUDITED FINANCIAL STATEMENTS  
COBB-HIGHLAND RECREATION COMMISSION  
(BLACKHAWK LAKE RECREATION AREA)  
DECEMBER 31, 2011**

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COBB-HIGHLAND RECREATION COMMISSION  
(BLACKHAWK LAKE RECREATION AREA)

DECEMBER 31, 2011

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Cobb-Highland Recreation Commission  
Cobb, WI

We have audited the accompanying financial statements of the business-type activities of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Commission's 2010 financial statements and, in our report dated September 16, 2011, we expressed an unqualified opinion on the financial statements.

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 business-type activities of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area), a component unit of Iowa County, Wisconsin, as of December 31, 2011, and the respective changes in financial position 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 October 8, 2012, on our consideration of the Cobb-Highland Recreation Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of park operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the Cobb-Highland Recreation Commission. The schedule of park operating expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

*JOHNSON BLOCK AND COMPANY, INC.*

*Johnson Block and Company, Inc.*

October 8, 2012

FINANCIAL STATEMENTS

Exhibit A-1  
Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Statement of Net Assets  
December 31, 2011  
(With summarized information as of December 31, 2010)

	2011	2010
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and investments	\$ 99,383	\$ 109,699
<u>Fixed Assets:</u>		
Property, plant and equipment	936,567	909,979
Less: accumulated depreciation	(422,352)	(385,680)
 Total Fixed Assets	 514,215	 524,299
 Total Assets	 \$ 613,598	 \$ 633,998
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 780	\$ 2,612
Due to other governments	1,979	2,057
Accrued payroll	5,388	5,112
 Total Current Liabilities	 8,147	 9,781
<u>Net Assets:</u>		
Investment in fixed assets	514,215	524,299
Unrestricted	91,236	99,918
 Total Net Assets	 605,451	 624,217
 Total Liabilities and Net Assets	 \$ 613,598	 \$ 633,998

Exhibit A-2  
Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Statement of Activities  
For the Year Ended December 31, 2011  
(With summarized financial information for the Year Ended December 31, 2010)

	2011	2010
<u>Revenue:</u>		
Park fees	\$ 325,802	\$ 321,129
Miscellaneous income	10,014	2,796
	335,816	323,925
 <u>Expenses:</u>		
Wages	140,694	137,176
Employee fringes and payroll taxes	23,779	21,512
Park operation expenses	151,750	102,444
Depreciation	46,141	44,824
	362,364	305,956
 Total Operating Expenses		
	(26,548)	17,969
 <u>Nonoperating Revenue (Expenses):</u>		
Interest income	716	1,017
Grant proceeds	4,007	
Gain on disposal of equipment	3,059	4,588
	7,782	5,605
 Total Nonoperating Revenue		
	(18,766)	23,574
 Net Assets - Beginning of Year	624,217	600,643
 Net Assets - End of Year	\$ 605,451	\$ 624,217

Exhibit A-3  
Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Statement of Cash Flows  
For the Year Ended December 31, 2011  
(With summarized financial information for the Year Ended December 31, 2010)

	2011	2010
<u>Cash Flows From (Used by) Operating Activities:</u>		
Receipts from customers	\$ 325,802	\$ 321,129
Payments to employees	(140,456)	(136,253)
Payment for employee benefits	(21,465)	(20,524)
Payments to suppliers and contractors	(155,936)	(102,570)
Miscellaneous revenue	10,014	2,796
	17,959	64,578
<u>Net Cash Provided From Operating Activities</u>		
<u>Cash Flows (Used by) Capital and Related Financing Activities:</u>		
Grant proceeds	4,007	
Payments for capital acquisitions	(32,998)	(91,792)
	(28,991)	(91,792)
<u>Net Cash (Used by) Capital and Related Financing Activities</u>		
<u>Cash Flows From Investing Activities:</u>		
Receipts of interest	716	1,017
	716	1,017
<u>Net Cash Provided from Investing Activities</u>		
	(10,316)	(26,197)
<u>Net Increase in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents - Beginning of Year	109,699	135,896
Cash and Cash Equivalents - End of Year	\$ 99,383	\$ 109,699
<u>Reconciliation of operating income (loss) to net cash from operating activities:</u>		
Operating income (loss)	\$ (26,548)	\$ 17,969
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	46,141	44,824
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(1,910)	1,301
Increase (decrease) in accrued payroll	276	484
	\$ 17,959	\$ 64,578

Supplemental Schedule of Noncash Investing Activities:

During 2011, a trade-in allowance of \$10,300 was received on the purchase of a new mower.

The Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Notes to the Basic Financial Statements  
December 31, 2011

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

These financial statements present only the financial data of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area), a component unit of Iowa County, Wisconsin.

The State of Wisconsin acquired approximately 380 acres of parkland from the Cobb-Highland Recreation Commission in 1977 in exchange for payment of FHA revenue bond indebtedness of \$450,000. Under this agreement, Iowa County agreed to assume full operational responsibility and control of the Blackhawk Lake Recreation Area. Should the County ever fail to continue to operate the facility, the County would have to repay all State and Federal monies expended for land acquisition and development of the facility. The County also assumed responsibility for maintenance of the dam.

Through an operations agreement, the day-to-day operation and management of the facility is being performed by the Cobb-Highland Recreation Commission who is required to file an annual report with the County indicating the status of operations at the facility. The Commission charges user fees to the general public and expends these as necessary and appropriate for maintaining the facility. The Commission requires County approval to borrow over \$10,000.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in accounts and reported in the financial statements.

The accounts of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area) are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Revenues such as user fees are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

The Commission has elected to follow FASB pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

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.

C. INCOME TAX

The Commission is exempt from income taxes and therefore no income tax liability is recorded.

D. SALES TAX

The Commission collects sales tax from certain sales and fees and remits to the State of Wisconsin. The Organization's policy is to exclude the tax collected and remitted to the State from revenues.

The Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Notes to the Basic Financial Statements  
December 31, 2011

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CASH AND CASH EQUIVALENTS/ INVESTMENTS

For purposes of the statement of cash flows, the Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

All deposits of the Commission are made in board designated official depositories and are secured as required by State Statute. The Commission may designate, as an official depository, any bank or savings association. Also, the Commission may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and money market investments are carried at fair value as determined by quoted market prices.

F. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Commission maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

G. FIXED ASSETS

Fixed assets are capitalized at cost (or fair market value at date of contribution). Depreciation is recorded using the straight-line method over the estimated lives of 3 to 25 years.

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. SUMMARIZED COMPARATIVE INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

The Cobb-Highland Recreation Commission  
 (Blackhawk Lake Recreation Area)  
 Notes to the Basic Financial Statements  
 December 31, 2011

NOTE 2

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
Capital assets not being depreciated:				
Construction work in progress	\$ 150	\$	\$ (150)	\$
Other Capital Assets:				
Buildings	633,665	24,728		658,393
Equipment & Furnishings	192,264	18,720	(16,710)	194,274
Land Improvements	83,900			83,900
Total other capital assets at historical costs	909,829	43,448	(16,710)	936,567
Less: Accumulated Depreciation:				
Buildings	259,960	22,392		282,352
Equipment & Furnishings	112,409	19,554	(9,469)	122,494
Land Improvements	13,311	4,195		17,506
Total Accumulated depreciation	385,680	46,141	(9,469)	422,352
Net Other Capital Assets	524,149	(2,693)	(7,241)	514,215
Total Net Capital Assets	\$ 524,299	\$ (2,693)	\$ (7,391)	\$ 514,215

NOTE 3

CASH AND INVESTMENTS

At December 31, 2011, cash and investments included the following:

Deposits with financial institutions	\$ 99,383
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Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 99,383

The Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Notes to the Basic Financial Statements  
December 31, 2011

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

Investment of Commission funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district
- Bonds issued by a local professional baseball park district
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority
- Bonds issued by a local Professional football stadium district
- Bonds issued by a local arts district
- Bonds issued by the Wisconsin Aerospace Authority

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Commission has no investment policy that would further limit its investment choices.

The Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Notes to the Basic Financial Statements  
December 31, 2011

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NOTE 3

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, the Commission would 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 risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Commission would not be able to recover the value of its investment of collateral securities that are in possession of another party. The Commission does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts. In addition, the banks used by the Commission participate in the Dodd-Frank Act. Under this program, the FDIC provides unlimited protection to all noninterest bearing accounts through December 31, 2012. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

At December 31, 2011, all of the Commissions' deposits were fully insured by the FDIC.

Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer.

NOTE 4

COMPENSATED ABSENCES

Payments for vacation will be made at rates in effect when benefits are used. Vacation does not vest and employees do not earn any sick leave.

NOTE 5

NET ASSETS

GASB 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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 are 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.

The Cobb-Highland Recreation Commission  
(Blackhawk Lake Recreation Area)  
Notes to the Basic Financial Statements  
December 31, 2011

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NOTE 5

NET ASSETS (CONTINUED)

Unrestricted Net Assets – The component of net asset consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The following calculation supports the Commission’s net assets invested in capital assets, net of related debt at December 31, 2011:

Fixed Assets	\$ 936,567
Accumulated Depreciation	<u>(422,352)</u>
Total Net Assets Invested in Capital Assets	<u>\$ 514,215</u>

NOTE 6

EMPLOYEE RETIREMENT PLAN

The Commission currently contributes to individual retirement accounts for two full-time employees. Contributions are 10% of the employee’s current year salary. Contributions made for the year ended December 31, 2011 were \$8,136.

NOTE 7

RELATED PARTY TRANSACTIONS

During 2011, electrical work at various cabins was performed by an immediate family member of an individual that serves on the Board of Commissioners. Labor and supply costs related to the electrical work totaled \$15,320.

NOTE 8

SUBSEQUENT EVENTS

Subsequent to December 31, 2011, the Commission purchased the concession stand and boat inventory for \$18,000 from the Park Manager.

In addition, the Commission approved costs of approximately \$7,000 for the purchase of new computer equipment, installation costs, and new website development.

NOTE 9

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENT

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, Statement No. 61, The Financial Reporting Entity: Omnibus, Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Statement No.63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64 Derivative Instruments: Applications of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53. The Commission has not determined the impact of these standards on the financial statements. Application of these standards may restate portions of these financial statements.

SUPPLEMENTARY INFORMATION

Schedule 1  
 Cobb-Highland Recreation Commission  
 (Blackhawk Lake Recreation Area)  
 Supplementary Schedule of Park Operating Expenses  
 For the Year Ended December 31, 2011 and 2010

	2011	2010
Advertising	\$ 110	\$ 60
Annual stickers	1,000	1,000
Bait	1,237	1,169
Boat landing dredging	32,636	
Bookkeeping	2,800	2,800
Building maintenance	2,475	508
Cabin batteries		146
Cabin gas	1,220	1,081
Camp permit	355	405
Chemicals	123	441
Cleaning supplies	707	240
Clothing	2,555	3,763
Credit card fees	6,762	6,909
Diesel fuel	2,049	2,248
Electric repair	957	2,016
Equipment repair	1,983	1,673
Filters	114	138
Fish stocking	3,520	
Garbage & recycling	4,431	4,897
Gas & oil	3,764	2,495
Hardware	462	356
Information signs	3,218	641
Insurance	12,618	13,623
Internet	988	606
Land & lake maintenance	2,086	1,076
LP gas	2,248	1,009
LP for shower houses	1,576	1,335
Maintenance, lumber, hardware	664	1,457
Maps & postcards		165
Milfoil treatments	600	1,583
Miniature golf supplies		168
Office supplies	2,251	3,626
Other administrative expense	3,108	755
Paint & supplies	2,824	2,131
Playground group sites		430
Plumbing repair	1454	368
Pop machine/Ice	5269	5,285
Postage	1,534	1,495
Printing	1,811	1,939
Promotional event		1,295
Sale adjustment to deposits	2,588	
Sand/gravel	279	635
Septic pumping	2,797	3,685
Shower oil	270	
Small equipment	196	422
Small tools & equipment	63	287
Solar panels - cabin #3	227	
Telephone	4,223	4,881
Tiki Huts		198
Towels & toilets	3,158	4,316
Triathlon expenses	3,458	
Truck repairs	4,738	
Uniforms		252
Utilities	14,568	14,813
Vehicle repair	930	1,146
Waterlines	280	225
Water test	135	120
Wood	2,200	
Woods mower	131	132
<b>Total Park Operation Expenses</b>	<b>\$ 151,750</b>	<b>\$ 102,444</b>



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

Board of Commissioners  
Cobb-Highland Recreation Commission  
Cobb, WI

We have audited the financial statements of the business-type activities of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 8, 2012. 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.

Internal Control Over Financial Reporting

Management of the Cobb-Highland Recreation Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items #2011-1 and #2011-3 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item #2011-2 to be a significant deficiency.

Compliance and Other Matters

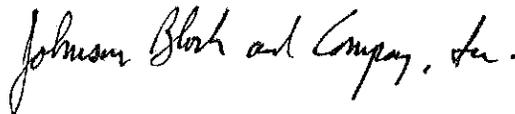
As part of obtaining reasonable assurance about whether the Cobb-Highland Recreation Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 did not disclose instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Cobb-Highland Recreation Commission in a separate letter dated October 8, 2012.

Cobb-Highland Recreation Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Cobb-Highland Recreation Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*JOHNSON BLOCK AND COMPANY, INC.*



October 8, 2012

Cobb-Highland Recreation Commission  
 Schedule of Findings and Responses  
 For the Year Ended December 31, 2011

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unqualified
a. Material weakness(s) identified?	Yes
b. Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	No

B. Financial Statement Findings

Finding #2011-1

**Condition:** The available office staff precluded a proper segregation of duties in the control areas reviewed.

**Effect:** Because of the lack of segregation of duties, errors or irregularities could occur and not be detected on a timely basis.

**Cause:** All internal control areas had not been segregated between employees.

**Criteria:** Checks and balances should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct any misstatements on a timely basis.

**Recommendation:** Procedures should be implemented segregating duties among different employees. Management should continue to maintain a working knowledge of matters relating to the Commission's operations.

**Response:** We agree with the finding but do not believe it is cost effective to increase the office staff in attempt to bring about a more effective segregation of duties.

Finding #2011-2

**Condition:** Office staff does not prepare the audited financial statements and accompanying notes. The Commission has designated individuals responsible for reviewing and accepting the financial statements and related notes.

**Effect:** Because management relies on the auditor to assist with the preparation of the financial statements, the Commission's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

**Cause:** The Commission does not prepare the audited financial statements and related notes.

**Criteria:** Internal controls over preparation of the financial statements, including note disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

**Recommendation:** The auditor will work with the Commission to make personnel more knowledgeable about its responsibility for the audited financial statements.

**Response:** The auditors prepare the audited financial statements but we review them and accept the statements prior to them being issued. We prepare financial reports that are reviewed by management and the board of commissioners on a monthly basis. Any concerns or questions are addressed throughout the year.

Cobb-Highland Recreation Commission  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2011

Finding #2011-3

**Condition:** In July 2011, a deposit of \$1,464 was not taken to the bank at the close of the business day and was lost.

**Effect:** When cash deposits are not made daily, the Commission is at risk of loss from burglary, misplacement, or misappropriation. In addition, cash is not immediately available to pay expenses.

**Cause:** The deposit went missing after several days had passed and the deposit had yet to be taken to the bank.

**Criteria:** Deposits should be made daily at the close of each business day.

**Recommendation:** We recommend that receipts be deposited intact daily.

**Response:** Upon discovery of the missing deposit, there was an immediate and thorough search of the office area and vehicles, all employees were questioned to no avail. The Royal Bank was contacted and video films were reviewed of the night deposit area, this search was also fruitless. The Iowa County Sheriffs Dept. was notified, there was an investigation conducted. As of last contact this investigation has produced nothing and remains open. The Commission President was contacted immediately and the missing deposit was discussed at the next meeting (August). After meeting with the Iowa County LCC and other concerned members of the Iowa County Board, new deposit policy was written and has been followed. This policy states that a deposit shall be made daily Monday thru Saturday throughout the camping season and timely deposits be made during the off season.



Communication of Significant Deficiencies and Material Weaknesses

To the Board of Commissioners  
Cobb-Highland Recreation Commission  
Cobb, Wisconsin

In planning and performing our audit of the financial statements of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Cobb-Highland Recreation Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Segregation of Duties

The size of the office staff precludes a proper segregation of functions to assure adequate internal control. This is not unusual in organizations of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge and monitoring of matters relating to the Commission's operations.

Deposits and Safeguarding of Cash

Deposits are not always made on a daily basis. In addition, cash is not kept in a locked box or safe when deposits are not made daily. These conditions leave the Commission at risk of loss from burglary, misplacement, or misappropriation.

A significant deficiency is a deficiency, or 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. We consider the following deficiency in internal control to be a significant deficiency:

Preparation of Financial Statements

An additional consequence of the size of the office staff, combined with the specific expertise of your accounting and financial reporting department, is that management has elected to rely on the knowledge of its auditors to prepare its annual financial statements and related disclosures. Your Organization, like many others, has made the determination that because of the ever changing and numerous reporting requirements associated with preparing financial statements that are in conformity with accounting principles generally accepted in the United States of America, it is more cost advantageous to rely on the expertise of its outside auditors to assist in the preparation of its financial statements.

However, since the financial statements are the responsibility of the Organization's management, the control over the financial statements being prepared in conformity with accounting principles generally accepted in the United States of America, lies with management. Currently, the Organization has elected not to dedicate its resources to providing sufficient internal control over the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America, resulting in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Other observations are summarized on the attached page.

This communication is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

JOHNSON BLOCK AND COMPANY, INC.  
*Johnson Block and Company, Inc.*

October 8, 2012

## Prior Year Items

### 1) Checks

The Park Manager was in possession of blank check stock that had been signed by two authorized signers. Blank check stock should not be signed. Checks should only be signed after the payment has been approved and check has been completely prepared as for date, payee and amount.

#### 2011 Update

Blank checks are no longer kept in office with signatures already on the checks.

### 2) Bank Statements

At present, the bookkeeper receives the bank statements, signs checks and performs bank reconciliations. We recommend that management open the bank statements and review them for any unusual checks or other transactions before giving them to the bookkeeper to perform the reconciliation. Management's review of the bank statement will ensure that unusual items are investigated on a timely basis.

#### 2011 Update

This recommendation still applies for 2011.

### 3) Bank Reconciliations

The bank reconciliations do not have any indication they have been reviewed and approved by Management. We recommend that bank reconciliations be signed by management as an indication of approval.

#### 2011 Update

This recommendation still applies for 2011.

### 4) Purchase Orders

Purchase orders are prepared after invoices are received. Purchase orders should be prepared to initiate the ordering process. Purchase orders should be sent to vendors indicating types, quantities, and agreed prices for products or services. If the Commission elects not to use purchase orders in this manner, the Commission may want to consider having management indicate their review and approval for payment on the actual invoice rather than prepare a purchase order after the invoice is received. A rubber stamp could be placed on incoming invoices which provides space for management to initial their review and approval for payment of the invoice.

#### 2011 Update

This recommendation still applies for 2011.

Prior Year Items (Continued)

5) County Invoice Approval

The Commission should have the approval of the Iowa County Board of Supervisors for construction, remodeling, or capital improvement of the facility or to pay any expense in excess of \$5,000. The Commission should review its policies to ensure that this requirement is met.

2011 Update

The Iowa County approval process was changed in 2011. The Commission needs county approval to borrow greater than \$10,000.

6) Deposits

There were instances where deposits were not made on a daily basis during offseason months. Procedures should be developed where deposits can be made daily.

2011 Update

This recommendation still applies for 2011.

## 2011 Items

### Reconciliation of Daily Deposits

At the end of a day, a cash register tape is processed which summarizes the user charges by payment type. This summary tape is then compared to the amount of cash that will be deposited into the bank. During our review of a daily deposit, there was an undocumented difference between the summary tape and the corresponding deposit. We recommend that the summary tape and deposit total be reconciled daily and any differences be investigated and documented.



Certified Public Accountants

2500 Business Park Road ▲ Mineral Point, Wisconsin 53565 ▲ TEL 608-987-2206 ▲ FAX 608-987-3391

October 8, 2012

To the Board of Commissioners  
Cobb-Highland Recreation Commission  
Cobb, WI 53526

We have audited the financial statements of the Cobb-Highland Recreation Commission for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cobb-Highland Recreation Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We are not aware of any particular sensitive accounting estimates utilized by management.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing the audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2012.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Commissioners and management of the Cobb-Highland Recreation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

JOHNSON BLOCK AND COMPANY, INC.

*Johnson Block and Company, Inc.*

# Cobb-Highland Recreation Commission

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Misstatement
PJE01	Potential	12/31/11					
		6250.00	Office Supplies	785.23			
		2010.00	Trade Payables		785.23		
						(785.23)	
			Record December 2011 credit card charges as accounts payable at 12/31/11				
				<u>785.23</u>	<u>785.23</u>	<u>(785.23)</u>	
		TOTAL					