

COBB-HIGHLAND RECREATION COMMISSION
(BLACKHAWK LAKE RECREATION AREA)
FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDIT REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Johnson Block & Company, Inc.
Certified Public Accountants
2500 Business Park Road
Mineral Point, Wisconsin 53565
(608) 987-2206
Fax: (608) 987-3391

COBB-HIGHLAND RECREATION COMMISSION
(BLACKHAWK LAKE RECREATION AREA)

DECEMBER 31, 2013

TABLE OF CONTENTS

Independent Auditor's Report	1
<u>Exhibits</u>	
A-1 Statement of Net Position	3
A-2 Statement of Activities.....	4
A-3 Statement of Cash Flows	5
Notes to Financial Statements.....	6
Supplementary Schedule of Park Operating Expenses	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Schedule of Findings and Responses.....	16 - 17
Schedule of Prior Year Findings.....	18

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area) (Commission), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Prior Year Summarized Information

The prior year summarized comparative information has been derived from the Commission's 2012 financial statements and, in our report dated July 10, 2013, we expressed an unmodified opinion on the financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary schedule of park operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of park operating expenses 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 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 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2014, 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 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 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.

Johnson Block and Company, Inc.



Mineral Point, Wisconsin
July 22, 2014

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Statement of Net Position
December 31, 2013
(With summarized information as of December 31, 2012)

	2013	2012
ASSETS		
Current assets:		
Cash and investments	\$ 190,051	\$ 129,933
Fixed assets:		
Property, plant and equipment	995,442	975,114
Less: accumulated depreciation	(497,923)	(467,356)
Total fixed assets	497,519	507,758
Total assets	\$ 687,570	\$ 637,691
 LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 1,027	\$ 958
Due to other governments	2,210	1,913
Accrued payroll	3,120	6,195
Unearned revenue	6,081	
Total current liabilities	12,438	9,066
Net position:		
Net investment in capital assets	497,519	507,758
Unrestricted	177,613	120,867
Total net position	675,132	628,625
Total liabilities and net position	\$ 687,570	\$ 637,691

Exhibit A-2
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Statement of Activities
For the Year Ended December 31, 2013
(With summarized financial information for the Year Ended December 31, 2012)

	2013	2012
REVENUE		
Park fees	\$ 384,650	\$ 356,667
Miscellaneous income	1,539	10,500
	386,189	367,167
EXPENSES		
Wages	149,874	155,739
Employee fringes and payroll taxes	18,110	23,387
Park operation expenses	125,035	121,142
Depreciation	51,410	47,785
	344,429	348,053
Operating income	41,760	19,114
NONOPERATING REVENUE (EXPENSES)		
Interest income	312	310
Insurance proceeds		4,299
Grant proceeds	997	
Gain (loss) on disposal of equipment	3,438	(549)
Total nonoperating revenue (expenses)	4,747	4,060
Change in net position	46,507	23,174
Net position - beginning of year	628,625	605,451
Net position - end of year	\$ 675,132	\$ 628,625

Exhibit A-3
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Statement of Cash Flows
For the Year Ended December 31, 2013
(With summarized financial information for the Year Ended December 31, 2012)

	2013	2012
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Receipts from customers	\$ 390,731	\$ 356,667
Payments to employees	(152,949)	(154,932)
Payment for employee benefits	(18,110)	(22,552)
Payments to suppliers and contractors	(124,669)	(121,865)
Miscellaneous revenue	1,539	10,500
	96,542	67,818
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of fixed assets	10,750	
Insurance proceeds		4,299
Grant proceeds	997	
Payments for capital acquisitions	(48,483)	(41,877)
	(36,736)	(37,578)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest	312	310
	312	310
Net increase in cash and cash equivalents	60,118	30,550
Cash and cash equivalents - beginning of year	129,933	99,383
Cash and cash equivalents - end of year	\$ 190,051	\$ 129,933
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	\$ 41,760	\$ 19,114
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	51,410	47,785
Change in assets and liabilities:		
Increase (decrease) in unearned revenue	6,081	
Increase (decrease) in accounts payable	366	112
Increase (decrease) in accrued payroll	(3,075)	807
	\$ 96,542	\$ 67,818

NOTES TO THE FINANCIAL STATEMENTS

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2013

Note 1.	<u>Summary of Significant Accounting Policies</u>	6 – 7
	A. Reporting Entity	6
	B. Basis of Accounting	6
	C. Income Tax	6
	D. Sales Tax	6
	E. Cash and Cash Equivalents/Investments	7
	F. Risk Management	7
	G. Fixed Assets	7
	H. Use of Estimates	7
	I. Summarized Comparative Information	7
Note 2.	<u>Capital Assets</u>	8
Note 3.	<u>Cash and Investments</u>	8 – 10
Note 4.	<u>Compensated Absences</u>	10
Note 5.	<u>Net Position</u>	10 – 11
Note 6.	<u>Employee Retirement Plan</u>	11
Note 7.	<u>Subsequent Events/Commitments</u>	11

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2013

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.

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, 2013

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, 2012, from which the summarized information was derived.

The Cobb-Highland Recreation Commission
 (Blackhawk Lake Recreation Area)
 Notes to the Basic Financial Statements
 December 31, 2013

NOTE 2

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Capital assets:				
Buildings	\$ 660,634	\$ 7,513		\$ 668,147
Equipment & furnishings	221,980	31,000	(28,155)	224,825
Land improvements	92,500	9,970		102,470
Total capital assets	975,114	48,483	(28,155)	995,442
Less: accumulated depreciation:				
Buildings	305,442	23,736		329,178
Equipment & furnishings	139,891	22,236	(20,843)	141,284
Land improvements	22,023	5,438		27,461
Total accumulated depreciation	467,356	51,410	(20,843)	497,923
Total net capital assets	\$ 507,758	\$ (2,927)	\$ (7,312)	\$ 497,519

NOTE 3

CASH AND INVESTMENTS

At December 31, 2013, cash and investments included the following:

Deposits with financial institutions \$ 190,051

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Exhibit A-1:
 Cash and investments \$ 190,051

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.

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2013

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes (Wisconsin)

- 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.

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.

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2013

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

FDIC Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

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, 2013, 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.

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2013

NOTE 5

NET POSITION

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

Net investment in capital assets - This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consist of any net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The following calculation supports the Commission’s net investment in capital assets at December 31, 2013:

Capital Assets	\$ 995,442
Accumulated Depreciation	(497,923)
Total Net Investment in Capital Assets	<u>\$ 497,519</u>

NOTE 6

EMPLOYEE RETIREMENT PLAN

The Commission contributed to individual retirement accounts for two full-time employees during the year. Contributions are 10% of the Park Manager’s current year salary and 4% of the Assistant Manager’s current year salary. Contributions made for the year ended December 31, 2013 were \$5,211.

NOTE 7

SUBSEQUENT EVENTS/COMMITMENTS

Subsequent to December 31, 2013, the Commission approved the purchase of a lawn mower and UTV from a local vendor for \$33,700.

SUPPLEMENTARY INFORMATION

Schedule 1
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Supplementary Schedule of Park Operating Expenses
For the Years Ended December 31, 2013 and 2012

	2013	2012
2013 Iowa Co. Citation	\$ 175	\$
Advertising	327	96
Annual stickers	908	1,008
Bait	2,139	1,491
Boat & concession small equipment		1,000
Boat gas	300	447
Boat repair and parts	1,721	784
Boats DNR fleet renewals	100	
Boating equipment	522	
Bookkeeping	3,000	2,800
Building maintenance	645	3,723
Cabin equipment	168	932
Cabin gas	436	661
Camp permit	415	528
Chemicals	49	437
Cleaning supplies	600	123
Clothing	4,257	1,400
Concession supplies	4,672	2,921
Credit card fees	6,530	6,068
Diesel fuel	2,594	2,159
Electric repair	190	682
Equipment repair	2,476	2,122
Filters	34	52
Fire extinguisher	397	
Fish stocking	4,000	3,684
Garbage & recycling	5,800	4,448
Gas & oil	4,163	3,656
Hardware	665	493
Information signs	270	
Insurance	19,197	16,076
Internet	1,142	1,119
Koozies	1,049	
Lake study		397
Land & lake maintenance	334	960
LP gas	3,780	960
LP for shower houses	1,058	1,488
Maintenance, lumber, hardware	78	
Maps & postcards	388	338
Mower repair & rental	613	310
Office software & consulting	537	300
Office supplies	1,649	2,238

Schedule 1
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Supplementary Schedule of Park Operating Expenses (Continued)
For the Years+ A25 Ended December 31, 2013 and 2012

	2013	2012
Other administrative expense	849	443
Paint & supplies	4,233	2,831
Plumbing repair	1,887	144
Pop machine/Ice	8,028	5,549
Postage	1,006	1,086
Printing	765	1,293
Sale adjustment to deposits		2,974
Sand/gravel	1,930	1,930
Septic pumping	4,452	2,329
Small equipment	110	
Small tools & equipment	150	92
Telephone	3,100	4,731
Towels & toilets	5,061	4,549
Triathlon expenses		4,442
Uniforms	196	408
Utilities	15,245	16,747
Vehicle repair	40	1,717
Waterlines		292
Water test	236	246
Website updates	15	2,900
Wood	354	538
	<hr/>	<hr/>
Total park operation expenses	<u>\$ 125,035</u>	<u>\$ 121,142</u>

INDEPENDENT AUDITOR'S 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, 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 financial statements of the business-type activities of the Cobb-Highland Recreation Commission (Blackhawk Lake Recreation Area) (Commission), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated July 22, 2014.

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) to determine the audit procedures that are appropriate in the circumstances 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. 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses. We identified certain deficiencies in internal control that we consider to be material weaknesses and 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 #2013-001 and #2013-003 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 #2013-002 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*.

Cobb-Highland Recreation Commission's Response to Findings

Cobb-Highland Recreation Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Cobb-Highland Recreation Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson Block and Company, Inc.



Mineral Point, WI
July 22, 2014

Cobb-Highland Recreation Commission
Schedule of Findings and Responses
For the Year Ended December 31, 2013

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
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 #2013-001

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 #2013-002

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
Prior Year Findings
For the Year Ended December 31, 2013

Finding #2013-003

Condition: A signature stamp is being used to sign checks and is in the control of the bookkeeper.

Effect: Checks could be signed and issued without board approval.

Cause: N/A

Criteria: Two signatures are required on each check with one of the signatures being a commission member and the other being the park manager.

Recommendation: A signature stamp could be used but would need to have physical controls in place so that it is used only after payment is authorized. Physical control should be maintained by someone who is not an authorized signor and does not have access to checks. Another option is to eliminate the stamp and require the authorized signors to physically sign checks.

Response: Beginning January 1, 2014, the signature stamp will no longer be used. Each check will require an authorized signor to physically sign the checks. One of the signors must be a commission member and the other must be either the park manager or assistant park manager.

Cobb-Highland Recreation Commission
Prior Year Findings
For the Year Ended December 31, 2013

FINDING

Finding #2012-1 – This is still a finding. See finding #2013-001.

Finding #2012-2 – This is still a finding. See finding #2013-002.



Certified Public Accountants

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

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 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, 2013, 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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.

Cash Disbursements

A signature stamp was being used to sign checks during 2013. This stamp was under the control of the bookkeeper. This effectively eliminated the control procedure of having two authorized signatures on each check. Subsequent to 2013, the Commission did away with the signature stamp and each check must be physically signed by two authorized signors.

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.

Mineral Point, WI
July 22, 2014

Prior Year Items

1) 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.

2013 Update

This recommendation still applies for 2013.

2) Incentive Wage Bonus

The Park Manager has historically been paid an incentive wage bonus calculated as 5% of the annual operating profit. The incentive wage bonus paid for 2012 was \$3,855. An error was made in the calculation and the Park Manager was overpaid \$193

2013 Update

The park manager no longer receives an incentive wage bonus.



Certified Public Accountants

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

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

We have audited the financial statements of the business-type activities of the Cobb-Highland Recreation Commission for the year ended December 31, 2013. 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 the year ended December 31, 2013. 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. The following material misstatement detected as a result of audit procedures was corrected by management:

-Record depreciation expense for the year.

Disagreements with Management

For purposes of this letter, 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 July 22, 2014.

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.

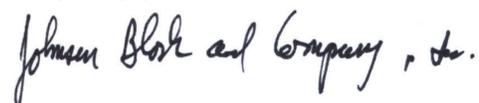
Other Matters

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.

Restrictions on Use

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.

July 22, 2014
Mineral Point, Wisconsin

Cobb-Highland Recreation Commission

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
PJE01	Potential	12/31/13				
		4050.00	Camping	12,508.00		
		4060.00	Electric Camping	5,997.00		
		4070.00	Group Camping	1,240.00		
		5010.00	Boat Mooring	9,625.00		
		5015.00	Shelter Rental	45.00		
		5035.00	Cabin	4,000.00		
		5052.00	Boat Rentals	160.00		
		2316.00	Deferred Revenue - camping		33,575.00	
						(33,575.00)
			Record revenue received in December 2013 for 2014 services			
PJE02	Potential	12/31/13				
		4050.00	Camping		11,474.75	
		4060.00	Electric Camping		5,528.37	
		4070.00	Group Camping		1,160.00	
		5010.00	Boat Mooring		6,625.00	
		5035.00	Cabin		3,295.00	
		5052.00	Boat Rentals		430.00	
		3110.00	Retained Earnings	28,513.12		
						28,513.12
			Record revenue received in December 2012 for 2013 services.			
PJE03	Potential	12/31/13				
		1010.00	General Checking	3,499.00		
		2317.00	Advance Grant Collections		3,499.00	
						0.00
			Record advance grant collection.			
		TOTAL		<u>65,587.12</u>	<u>65,587.12</u>	<u>(5,061.88)</u>