

COBB-HIGHLAND RECREATION COMMISSION
(BLACKHAWK LAKE RECREATION AREA)
AUDITED FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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COBB-HIGHLAND RECREATION COMMISSION
(BLACKHAWK LAKE RECREATION AREA)

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the 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) ("Commission"), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2015, 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, 2015, 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 2014 financial statements and, in our report dated July 24, 2015, 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 February 5, 2016, 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
February 5, 2016

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Statement of Net Position
December 31, 2015
(With summarized information as of December 31, 2014)

| | 2015 | 2014 |
|-------------------------------------|------------|------------|
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 289,910 | \$ 233,039 |
| Accounts receivable | | 1,119 |
| Total current assets | 289,910 | 234,158 |
| Fixed assets: | | |
| Property, plant and equipment | 1,088,311 | 1,038,136 |
| Less: accumulated depreciation | (592,403) | (531,684) |
| Total fixed assets | 495,908 | 506,452 |
| Total assets | \$ 785,818 | \$ 740,610 |
| LIABILITIES AND NET POSITION | | |
| Current liabilities: | | |
| Accounts payable | \$ 172 | \$ 2,378 |
| Due to other governments | 2,251 | 2,436 |
| Accrued payroll | | 988 |
| Payroll liabilities | 2,667 | 3,820 |
| Unearned revenue | 9,863 | 9,799 |
| Total current liabilities | 14,953 | 19,421 |
| Net position: | | |
| Net investment in capital assets | 495,908 | 506,452 |
| Unrestricted | 274,957 | 214,737 |
| Total net position | 770,865 | 721,189 |
| Total liabilities and net position | \$ 785,818 | \$ 740,610 |

Exhibit A-2
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Statement of Activities
For the Year Ended December 31, 2015
(With summarized financial information for the Year Ended December 31, 2014)

| | 2015 | 2014 |
|--|------------|------------|
| REVENUE | | |
| Park fees | \$ 417,650 | \$ 399,769 |
| Miscellaneous income | 98 | 1,767 |
| | | |
| Total operating revenue | 417,748 | 401,536 |
| | | |
| EXPENSES | | |
| Wages | 161,507 | 169,498 |
| Employee fringes and payroll taxes | 23,066 | 23,511 |
| Park operation expenses | 121,272 | 132,891 |
| Depreciation | 62,818 | 51,878 |
| | | |
| Total operating expenses | 368,663 | 377,778 |
| | | |
| Operating income | 49,085 | 23,758 |
| | | |
| NONOPERATING REVENUE (EXPENSES) | | |
| Interest income | 591 | 448 |
| Insurance proceeds | | 16,443 |
| Grant proceeds | | 3,522 |
| Gain (loss) on disposal of equipment | | 1,886 |
| Total nonoperating revenue (expenses) | 591 | 22,299 |
| | | |
| Change in net position | 49,676 | 46,057 |
| | | |
| Net position - beginning of year | 721,189 | 675,132 |
| | | |
| Net position - end of year | \$ 770,865 | \$ 721,189 |
| | | |

Exhibit A-3
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Statement of Cash Flows
For the Year Ended December 31, 2015
(With summarized financial information for the Year Ended December 31, 2014)

| | 2015 | 2014 |
|---|------------|------------|
| CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 418,833 | \$ 402,368 |
| Payments to employees | (163,648) | (167,810) |
| Payment for employee benefits | (23,066) | (23,511) |
| Payments to suppliers and contractors | (123,663) | (131,314) |
| Miscellaneous revenue | 98 | 1,767 |
| | 108,554 | 81,500 |
| CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sale of fixed assets | | 11,500 |
| Insurance proceeds | | 16,443 |
| Grant proceeds | | 3,522 |
| Payments for capital acquisitions | (52,274) | (70,425) |
| | (52,274) | (38,960) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Receipts of interest | 591 | 448 |
| | 591 | 448 |
| Net cash provided from investing activities | | |
| | 56,871 | 42,988 |
| Cash and cash equivalents - beginning of year | 233,039 | 190,051 |
| Cash and cash equivalents - end of year | \$ 289,910 | \$ 233,039 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES | | |
| Operating income | \$ 49,085 | \$ 23,758 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 62,818 | 51,878 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 1,119 | (1,119) |
| Increase (decrease) in unearned revenue | 64 | 3,718 |
| Increase (decrease) in accounts payable | (2,391) | 1,577 |
| Increase (decrease) in accrued payroll | (988) | (2,132) |
| Increase (decrease) in payroll liabilities | (1,153) | 3,820 |
| | \$ 108,554 | \$ 81,500 |

NOTES TO THE FINANCIAL STATEMENTS

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2015

| | | |
|---------|---|--------|
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The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2015

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, 2015

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 with an initial cost of more than \$500 are capitalized at cost (or fair market value at date of contribution). Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

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, 2014, from which the summarized information was derived.

The Cobb-Highland Recreation Commission
 (Blackhawk Lake Recreation Area)
 Notes to the Basic Financial Statements
 December 31, 2015

NOTE 2

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

| | Balance 1/1/2015 | Additions | Deletions | Balance 12/31/2015 |
|---------------------------------------|---------------------|-------------|-----------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Construction work in progress | \$ | \$ 32,847 | \$ | \$ 32,847 |
| Capital assets being depreciated: | | | | |
| Buildings | 607,050 | 7,214 | (1,000) | 613,264 |
| Equipment & furnishings | 185,893 | 3,128 | (1,099) | 187,922 |
| Land improvements | 245,193 | 9,085 | | 254,278 |
| Total capital assets | 1,038,136 | 19,427 | (2,099) | 1,055,464 |
| Less: accumulated depreciation: | | | | |
| Buildings | 337,055 | 21,162 | (1,000) | 357,217 |
| Equipment & furnishings | 102,445 | 26,416 | (1,099) | 127,762 |
| Land improvements | 92,184 | 15,240 | | 107,424 |
| Total accumulated depreciation | 531,684 | 62,818 | (2,099) | 592,403 |
| Net capital assets being depreciated | 506,452 | (43,391) | | 463,061 |
| Total net capital assets | \$ 506,452 | \$ (10,544) | \$ | \$ 495,908 |

NOTE 3

CASH AND INVESTMENTS

At December 31, 2015, cash and investments included the following:

Deposits with financial institutions \$289,910

Cash and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

Exhibit A-1:
Cash and investments \$289,910

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.

The Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Notes to the Basic Financial Statements
December 31, 2015

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes (Continued)

- 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.

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, 2015

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, 2015, 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, 2015

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, 2015:

| | |
|--|--------------------------|
| Capital assets | \$ 1,088,311 |
| Accumulated depreciation | <u>(592,403)</u> |
| Total net investment in capital assets | <u><u>\$ 495,908</u></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 6% of the Assistant Manager’s current year salary. For the year ended December 31, 2015, employer contributions were \$7,156. There were no employee contributions.

SUPPLEMENTARY INFORMATION

Schedule 1
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Supplementary Schedule of Park Operating Expenses
For the Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|-------------------------------------|----------|----------|
| Advertising | \$ 1,245 | \$ 1,042 |
| Annual stickers | 43 | 29 |
| Bait | 2,950 | 2,328 |
| Boat gas | 330 | 655 |
| Boat repair and parts | 921 | 615 |
| Boating equipment | 1,086 | 987 |
| Building maintenance | 703 | 3,485 |
| Camp permits and licenses | 250 | 362 |
| Cleaning supplies | 253 | 492 |
| Clothing | 2,217 | 4,785 |
| Concession supplies | 5,929 | 5,677 |
| Credit card fees | 7,585 | 7,057 |
| Diesel fuel | 2,115 | 3,081 |
| Electric repair | 562 | 252 |
| Equipment repair | 2,654 | 4,078 |
| Fire extinguisher | 833 | 984 |
| Fish stocking | | 3,468 |
| Garbage & recycling | 6,600 | 6,500 |
| Gas & oil | 3,226 | 4,597 |
| Housekeeping supplies and equipment | 4,236 | 4,238 |
| Insurance | 17,303 | 18,687 |
| Internet | 1,442 | 1,324 |
| Koozies | 783 | |
| Land & lake maintenance | 4,769 | 3,616 |
| LP gas | 1,410 | 3,802 |
| Maps & postcards | 507 | 758 |
| Miscellaneous | 440 | 173 |
| Mower repair & rental | 1,531 | 1,288 |
| Office software & consulting | 1,964 | 1,104 |
| Office supplies | 1,031 | 1,500 |
| Other administrative expense | 1,127 | 964 |
| Playground | 1,737 | 1,042 |
| Plumbing repair | 1,863 | 2,202 |
| Pop machine/Ice | 4,872 | 4,505 |
| Porta Potties | 4,823 | 5,243 |
| Postage | 213 | 147 |
| Printing | 1,764 | 3,086 |
| Propane | 103 | 71 |
| Sale adjustment to deposits | | 9 |
| Sand/gravel | 1,487 | 77 |
| Septic pumping | 1,300 | |

Schedule 1
Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
Supplementary Schedule of Park Operating Expenses (Continued)
For the Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|-------------------------------|-------------------|-------------------|
| Small tools & equipment | 1,461 | 1,132 |
| Telephone | 2,891 | 3,718 |
| Uniforms | 359 | 742 |
| Utilities | 17,753 | 16,426 |
| Vehicle repair | 680 | 4,019 |
| Water test | 135 | 135 |
| Wisconsin DNR grant expenses | 879 | 1,403 |
| Wood | 2,906 | 1,006 |
| | <hr/> | <hr/> |
| Total park operation expenses | <u>\$ 121,271</u> | <u>\$ 132,891</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, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 5, 2016.

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 deficiency described in the accompanying schedule of findings and responses as item #2015-001 to be a material weakness.

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 #2015-002 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Cobb-Highland Recreation Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
February 5, 2016

Cobb-Highland Recreation Commission
Schedule of Findings and Responses
For the Year Ended December 31, 2015

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 #2015-001 Segregation of Duties

Condition: The available office staff precludes a proper segregation of duties in the control areas reviewed. The Bookkeeper has the ability to receive cash payments, prepare deposits, make bank deposits, record receipts in the general ledger, and perform bank reconciliations.

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 this finding but do not believe it is cost effective to increase the office staff in an attempt to bring about a more effective segregation of duties.

Finding #2015-002- Preparation of Financial Statements

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 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 financial statements.

Response: The auditors prepare the 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 Prior Year Findings
For the Year Ended December 31, 2015

FINDING

Finding #2014-001 – Segregation of Duties - This is still a finding. See finding #2015-001.

Finding #2014-002 – Preparation of Financial Statements - This is still a finding. See finding #2015-002.



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) ("Commission"), a component unit of Iowa County, Wisconsin as of and for the year ended December 31, 2015, 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 deficiency in internal control to be a material weakness:

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.

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.

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 & Company, Inc.

Mineral Point, WI
February 5, 2016



Certified Public Accountants

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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 (Blackhawk Lake Recreation Area) ("Commission") for the year ended December 31, 2015. 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 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, 2015. 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 our 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 clearly 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 each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 February 5, 2016.

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.

February 5, 2016
Mineral Point, Wisconsin

**RECOMMENDATIONS AND INFORMATIONAL POINTS TO MANAGEMENT
THAT ARE NOT MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

Prior Year Items

1) Credit Card Policy

The Commission does not have policies and procedures established to control the use of credit cards. We recommend that the Commission develop a written credit card policy to document procedures that should be followed. The policy could discuss keeping individual receipts for all credit card purchases on the credit card statement and establishing transaction spending limits for cardholders. A sample credit card policy can be provided, if requested.

2015 Update

A credit card policy was approved on August 13, 2015.

| <u>Account</u> | <u>Description</u> | <u>W/P Ref</u> | <u>Debit</u> | <u>Credit</u> |
|--|----------------------------------|----------------|-------------------------|-------------------------|
| Proposed JE # 6001 | | GG-01 | | |
| Record revenue received in December 2014 for 2015 services | | | | |
| 3110.00 | Retained Earnings | | 37,028.28 | |
| 6100.00 | Boat Mooring | | | 9,625.00 |
| 6200.00 | Boat Rentals | | | 380.00 |
| 6300.00 | Cabin Rental | | | 6,770.00 |
| 6410.00 | Camping: Regular Campsite Rental | | | 13,154.18 |
| 6420.00 | Camping: Group Site Rental | | | 800.00 |
| 6430.00 | Camping: Electricity Charges | | | 6,209.10 |
| 6800.00 | Shelter Rental | | | 90.00 |
| Total | | | <u><u>37,028.28</u></u> | <u><u>37,028.28</u></u> |
| Proposed JE # 6002 | | GG-02 | | |
| Record revenue received in December 2015 for 2016 services | | | | |
| 6100.00 | Boat Mooring | | 6,000.00 | |
| 6200.00 | Boat Rentals | | 189.57 | |
| 6300.00 | Cabin Rental | | 4,591.03 | |
| 6410.00 | Camping: Regular Campsite Rental | | 15,105.84 | |
| 6420.00 | Camping: Group Site Rental | | 1,304.24 | |
| 6430.00 | Camping: Electricity Charges | | 7,852.48 | |
| 2316.00 | Deferred Revenue - camping | | | 35,043.16 |
| Total | | | <u><u>35,043.16</u></u> | <u><u>35,043.16</u></u> |