

**COBB-HIGHLAND RECREATION-COMMISSION
(BLACKHAWK LAKE RECREATION AREA)**

**REQUIRED AUDIT COMMUNICATIONS
TO THE MEMBERS OF THE BOARD OF COMMISSIONERS**

Year Ended December 31, 2019

**Johnson Block & Company, Inc.
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**COBB-HIGHLAND RECREATION-COMMISSION
(BLACKHAWK LAKE RECREATION AREA)**

Year Ended December 31, 2019

Index

	<u>Page</u>
Communication With Those Charged With Governance	1 - 3
Explanation of Adjusting Journal Entries and Passed Journal Entries.....	4 – 5
Other Comments on Operations and Internal Control	6
Concluding Remarks	6

Appendices

Appendix 1 - Adjusting Journal Entries

Appendix 2 - Passed Journal Entries



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Commissioners
Cobb-Highland Recreation Commission
Cobb, Wisconsin 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, 2019. 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 letter to you dated December 23, 2019. 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, 2019. 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. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciable lives of fixed assets is based on the estimated useful life of the related fixed asset. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

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. Appendix 1 summarizes misstatements detected as a result of audit procedures that were corrected by management. Appendix 2 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.

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 March 26, 2020.

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 & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
March 26, 2020

(BLACKHAWK LAKE RECREATION AREA)

Year Ended December 31, 2019

ADJUSTING JOURNAL ENTRIES

We are frequently requested by our clients to discuss the overall condition of their accounting records and what our role is as your audit firm. We believe that these matters should be discussed at each audit. The following section describes your accounting process in general terms and the ways in which we work with your staff.

The Cobb-Highland Recreation-Commission processes accounting transactions based on the type of transaction involved. Money coming in is processed using a cash receipt system. The payment of bills is done through an accounts payable system. Employees' salaries are paid using a payroll system. These systems are responsible for recording and summarizing the vast majority of your financial statements.

Beyond the systems described in the preceding paragraph, another system is used to make corrections and to record non-cash transactions. This system involves preparing general journal entries. Journal entries provide the ability to make changes to the financial data entered in the other systems. As your auditor, our role is to substantiate year end financial balances and information presented by your accounting personnel, and compare it to supporting information and outside confirmations. When information in your records does not agree with audit evidence, an adjusting entry is necessary to correct your records. Sometimes these entries are identified by your staff as they get ready for the audit. Other adjustments are prepared by us as we discover that your general ledger balances need to be changed to reflect the correct balances.

For the 2019 audit, we proposed adjustments and reclassifications to your records. The proposed entries were accepted by the Cobb-Highland Recreation-Commission's management. All of these changes are reflected properly in your audited financial statements.

Because we are providing assistance to your staff by proposing changes to correct your financial information, you should be aware of these processes. Many of our clients rely on us to make year end adjustments as we have described. In many cases, we have the experience or expertise to compute, and identify, corrections to your records. We work with many clients on similar issues, so it may be more efficient for you to have us do some of the one-time adjustments, rather than your staff spending hours researching the proper adjustment.

Due to the technical nature of financial reporting and complying with financial reporting standards, most clients have their CPA firm prepare the year end financial statements and note disclosures. We have provided these services to the Cobb-Highland Recreation-Commission.

We are communicating this information to you to give you a better understanding of what we do and how the year end process works. Our job as auditors is to bring in an outside perspective and provide a level of comfort that your financial reporting system is materially correct and accurately reflects the financial activity for the year. However, in many cases, our services go beyond auditing. Our experience and training can provide a very cost-effective means of providing the year end accounting assistance that you need.

We hope that by providing this information on what we do, you will have a better understanding of our role, and the various ways that we work with your staff.

PASSED JOURNAL ENTRIES

Passed journal entries may occur due to transaction timing, industry practices or lack of overall significance. See the Appendix 2 for passed journal entries.

OTHER COMMENTS ON OPERATIONS AND INTERNAL CONTROL

Barter and Payment for Campsite Workers

It was noted that the Commission provided free camping to someone in exchange for work performed. Also, this person was paid \$1,000 in addition to the free camping for the work they did. The IRS would consider any payment or barter transactions to be taxable compensation to be reported as wages with payroll taxes paid on these transactions. This did not appear to be done.

CONCLUDING REMARKS

We would like to thank you for allowing us to serve you. We are committed to assisting you in the long-term financial success of the Cobb-Highland Recreation Commission and our comments are intended to draw to your attention issues which need to be addressed by the Commission to meet its goals and responsibilities.

If you have any questions or comments regarding this communication or the financial statements, do not hesitate to contact us.

Appendix 1 – Adjusting Journal Entries

**Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
For the Year Ended December 31, 2019**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1001			
Move fixed asset additions from expense accounts to fixed asset account.			
1109.00	Buildings: Cabin 4	11,045.00	
1117.10	Buildings: Maintenance Buildings: Maintenance Garage	6,720.93	
1212.00	Land Improvements: Electric Service and Wiring	3,315.50	
1302.00	Equipment: Boats	2,500.00	
1302.00	Equipment: Boats	2,790.31	
7103.00	Boats: Boating Equipment		2,500.00
7104.00	Boats: Boats R & M		2,790.31
7301.00	Park Maintenance: Buildings		6,720.93
7301.00	Park Maintenance: Buildings		11,045.00
7303.00	Park Maintenance: Electrical		3,315.50
Total		<u>26,371.74</u>	<u>26,371.74</u>
Adjusting Journal Entries JE # 1002			
Record fixed asset removals.			
1399.00	Accum. Deprec. - Equipment	2,297.67	
1399.00	Accum. Deprec. - Equipment	11,122.67	
8000.00	Gain (Loss) Disposal of Assets	2,222.33	
8000.00	Gain (Loss) Disposal of Assets	9,732.33	
1304.00	Equipment: Mowers		20,855.00
1306.01	Equipment: Small Equip - Maintenance		4,520.00
Total		<u>25,375.00</u>	<u>25,375.00</u>
Adjusting Journal Entries JE # 1003			
Move proceeds from sale of snow plow to correct account			
1306.01	Equipment: Small Equip - Maintenance	1,500.00	
8000.00	Gain (Loss) Disposal of Assets		1,500.00
Total		<u>1,500.00</u>	<u>1,500.00</u>
Adjusting Journal Entries JE # 1004			
Record pontoon contribution as revenue and fixed asset.			
1302.00	Equipment: Boats	1,000.00	
8500.00	Capital contributions		1,000.00
Total		<u>1,000.00</u>	<u>1,000.00</u>
Adjusting Journal Entries JE # 1005			
Record depreciation expense			
9300.00	Depreciation Expense	70,816.80	
1199.00	Accum. Deprec. - Bldgs		25,789.59
1299.00	Accum. Deprec. - Land Improvmt		23,817.95
1399.00	Accum. Deprec. - Equipment		21,209.26
Total		<u>70,816.80</u>	<u>70,816.80</u>
Adjusting Journal Entries JE # 1006			
Move small expense out of fixed asset account			
7504.00	Equipment R & M: Trucks - R & M	350.00	
1309.00	Equipment: Trucks		350.00
Total		<u>350.00</u>	<u>350.00</u>

**Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
For the Year Ended December 31, 2019**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1007			
Record prior year deferred revenue as current year revenue			
2150.00	Deffered Annual Sticker Revenue	5,247.39	
6010.00	Admission: Annual Sticker		4,140.28
6020.00	Admission: 2nd Annual Sticker		1,107.11
Total		<u>5,247.39</u>	<u>5,247.39</u>
Adjusting Journal Entries JE # 1008			
Reclassify 2020 annual sticker sales to deferred revenue.			
6010.00	Admission: Annual Sticker	4,250.61	
6020.00	Admission: 2nd Annual Sticker	1,466.64	
2150.00	Deffered Annual Sticker Revenue		5,717.25
Total		<u>5,717.25</u>	<u>5,717.25</u>
Adjusting Journal Entries JE # 1009			
Adjust deferred camp credits to actual at 12/31/19			
2100.00	Camp Credits	2,510.27	
6410.00	Camping: Regular Campsite Rental		2,510.27
Total		<u>2,510.27</u>	<u>2,510.27</u>

Appendix 2 – Passed Journal Entries

**Cobb-Highland Recreation Commission
(Blackhawk Lake Recreation Area)
For the Year Ended December 31, 2019**

Account	Description	Debit	Credit
Proposed JE # 6001			
Record revenue received in December 2019 for 2020 services			
6100.00	Boat Mooring	12,776.40	
6200.00	Boat Rentals	189.00	
6300.00	Cabin Rental	4,824.23	
6420.00	Camping: Group Site Rental	987.53	
6450.00	Camping: Reservation Fees	3,563.02	
6460.00	Electric Campsite Rental	30,735.72	
6470.00	Non-Electric Campsite Rental	99.23	
6600.00	Credit Card Transaction Fees	137.03	
6800.00	Shelter Rental	45.36	
2316.00	Deferred Revenue - camping		53,357.52
Total		<u><u>53,357.52</u></u>	<u><u>53,357.52</u></u>