



Dave Yost • Auditor of State

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

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Dave Yost • Auditor of State

Lakefield Airport Authority
Mercer County
6177 State Route 219
Celina, Ohio 45822

To the Authority Board Members:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 31, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lakefield Airport Authority
Mercer County
6177 State Route 219
Celina, Ohio 45822

To the Authority Board Members:

We have audited the accompanying financial statements of Lakefield Airport Authority, Mercer County, (the Authority) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Authority's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Authorities to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2010 and 2009 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Lakefield Airport Authority, Mercer County, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 31, 2011

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$15,000		\$15,000
Intergovernmental		\$116,875	116,875
Investment Earnings	95		95
Sales	15,811		15,811
Rents	32,666		32,666
Miscellaneous	1,680		1,680
Total Cash Receipts	<u>65,252</u>	<u>116,875</u>	<u>182,127</u>
Cash Disbursements:			
Salaries and Fringe Benefits	6,635		6,635
Supplies and Materials	607		607
Purchased and Contract Services	17,498	128,166	145,664
Sales and Property Tax	3,757		3,757
Repairs and Maintenance	7,152		7,152
Utilities	11,322		11,322
Insurance	8,221		8,221
Miscellaneous	1,319		1,319
Total Cash Disbursements	<u>56,511</u>	<u>128,166</u>	<u>184,677</u>
Total Receipts Over/(Under) Disbursements	<u>8,741</u>	<u>(11,291)</u>	<u>(2,550)</u>
Fund Cash Balances, January 1	<u>(17,746)</u>	<u>41,466</u>	<u>23,720</u>
Fund Cash Balances, December 31	<u>(\$9,005)</u>	<u>\$30,175</u>	<u>\$21,170</u>

The notes to the financial statements are an integral part of this statement.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$30,000		\$30,000
Intergovernmental		\$334,565	334,565
Investment Earnings	506		506
Sales	46,164		46,164
Rents	30,128		30,128
Miscellaneous	1,657		1,657
Total Cash Receipts	<u>108,455</u>	<u>334,565</u>	<u>443,020</u>
Cash Disbursements:			
Salaries and Fringe Benefits	41,697		41,697
Supplies and Materials for Resale	50,506		50,506
Supplies and Materials	2,826		2,826
Purchased and Contract Services	6,735	311,810	318,545
Sales and Property Tax	6,801		6,801
Repairs and Maintenance	7,880		7,880
Utilities	11,693		11,693
Insurance	14,414		14,414
Miscellaneous	1,207		1,207
Training	485		485
Total Cash Disbursements	<u>144,244</u>	<u>311,810</u>	<u>456,054</u>
Total Receipts Over/(Under) Disbursements	<u>(35,789)</u>	<u>22,755</u>	<u>(13,034)</u>
Fund Cash Balances, January 1	<u>18,043</u>	<u>18,711</u>	<u>36,754</u>
Fund Cash Balances, December 31	<u>(\$17,746)</u>	<u>\$41,466</u>	<u>\$23,720</u>

The notes to the financial statements are an integral part of this statement.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Lakefield Airport Authority, Mercer County, (the Authority) as a body corporate and politic. The Authority is directed by a 9 member Board appointed by the Mercer County Commissioners. The Authority is responsible for the safe and efficient operation and maintenance of the Lakefield Airport.

As of December 31, 2010, there were nine active Board members and a Fixed Based Operator to manage daily operations.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Authority maintains all funds in an interest bearing checking account and savings account.

D. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Authority classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Authority had the following significant Capital Project Fund:

Airport Improvement Program Fund – The Authority receives federal grants to lengthen and improve runways.

E. Property, Plant, and Equipment

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Authority maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2009</u>	<u>2010</u>
Demand deposits	<u>\$23,720</u>	<u>\$21,170</u>
Total deposits	<u>23,720</u>	<u>21,170</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Authority.

3. RETIREMENT SYSTEMS

The Authority's full-time employee belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% each year of their gross salaries and the Authority contributed an amount equaling 14% each year of participants' gross salaries. The Authority has not paid all contributions required through December 31, 2010.

4. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

5. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

6. ACCOUNTABILITY

At December 31, 2010 and 2009, the General Fund had a deficit balance of \$9,005 and \$17,746 respectively.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. AUTHORITY'S PLANS REGARDING DEFICIT

As indicated in the accompanying basic financial statements, the Airport had a General Fund deficit of \$9,005 and \$17,746 at the end of 2010 and 2009, respectively.

The Airport Authority approved a plan of action at their March 14, 2011 meeting:

The Board has implemented cost saving measures by eliminating the airport manager and entering into contracts with DMM Aviation as a Fixed Based Operator and with the Mercer County Commissioners to provide a Secretary/Treasurer. The Board plans to review its annual budget quarterly. It is also exploring the possibility of transferring money from its Capital Improvement Fund into the General Fund, as it feels it is overstated.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lakefield Airport Authority
Mercer County
6177 State Route 219
Celina, Ohio 45822

To the Authority Board of Trustees:

We have audited the financial statements of the Lakefield Airport Authority, Mercer County, (the Authority) as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated May 31, 2011 wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *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 timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated May 31, 2011.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and Authority Board. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

May 31, 2011

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Financial Record Keeping/Monitoring - Material Weakness

The Airport maintained its records on Quick Books which did not have the ability to break activity down between the General and Capital Projects funds. The Secretary/Treasurer prepared an annual budget of total estimated revenues and expenditures (not by fund), but it was not adopted by the Board. At monthly board meetings, the Board reviewed a profit and loss report, however; the report didn't compare budget to actual revenues or expenditures, doesn't have a breakdown between the General and Capital Project funds, nor did it show beginning and ending fund balances. At year end, the Secretary/Treasurer then recorded the grant revenues and construction cost into a Capital Project Fund and included the rest in the General Fund for financial reporting purposes.

The lack of fund accounting software makes it difficult for the Board to monitor if activity is being recorded in the correct fund and the actual fund balances. The lack of approving a budget and then not monitoring it with a budget versus actual reports makes it difficult to readily determine where the Airport stands financially. These weaknesses resulted in the General Fund having a negative cash fund balance of \$17,746 and \$9,005 at December 31, 2009 and 2010, respectively with a entity wide cash balance of \$23,720 for 2009 and \$21,170 for 2010. A negative fund cash balance in the General Fund indicates either that money from the Capital Project Fund was used to pay the obligations of the General Fund, which may not have been allowable expenditures from the Capital Project Fund, or expenditures were paid from the General Fund that should have been paid from the Capital Project Fund.

The Airport should obtain fund accounting software or maintain spreadsheets of financial activity by fund that also includes beginning and ending fund balances. A budget should be adopted by the Board annually and the approval should be documented in the minutes. Additionally, at each regular board meeting, the Secretary/Treasurer should provide the Board with detailed actual versus budgeted receipts and disbursements information, along with cash balances. Procedures should be developed to monitor fund balances and identify those funds that may potentially fall into a negative balance. The Board should carefully review this information, make appropriate inquiries and document its approval in the minutes.

OFFICIAL'S RESPONSE:

The Board has implemented cost saving measures by eliminating the airport manager and entered into contracts with DMM Aviation as a Fixed Based Operator and with Mercer County Commissioners to provide a Secretary/Treasurer. The Board plans to review its annual budget quarterly. It is also exploring the possibility of transferring money from its Capital Improvement Fund into the General Fund, as it feels it is overstated.

LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Systems Reconciliation	Yes	



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LAKEFIELD AIRPORT AUTHORITY

MERCER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 05, 2011**