



Mary Taylor, CPA
Auditor of State

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

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Mary Taylor, CPA
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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 15, 2008

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Mary Taylor, CPA

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, 2007 and 2006. 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.

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, 2007 and 2006, 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, 2007 and 2006, 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 combined fund cash balances of Lakefield Airport Authority, Mercer County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 15, 2008, 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.



Mary Taylor, CPA
Auditor of State

May 15, 2008

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$30,000		\$30,000
Intergovernmental		\$356,794	356,794
Investment Earnings	343		343
Sales	60,482		60,482
Rents	31,759		31,759
Miscellaneous	243		243
Total Cash Receipts	<u>122,827</u>	<u>356,794</u>	<u>479,621</u>
Cash Disbursements:			
Salaries	35,709		35,709
Supplies and Materials for Resale	55,758		55,758
Supplies and Materials	1,474		1,474
Purchased and Contract Services	274	348,758	349,032
Sales and Property Tax	8,577		8,577
Repairs and Maintenance	7,479		7,479
Utilities	11,125		11,125
Insurance	8,650		8,650
Miscellaneous	782		782
Training	1,119		1,119
Capital Outlay		4,500	4,500
Total Cash Disbursements	<u>130,947</u>	<u>353,258</u>	<u>484,205</u>
Total Receipts Over/(Under) Disbursements	(8,120)	3,536	(4,584)
Fund Cash Balances, January 1	<u>20,169</u>	<u>4,991</u>	<u>25,160</u>
Fund Cash Balances, December 31	<u>\$12,049</u>	<u>\$8,527</u>	<u>\$20,576</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
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$30,000		\$30,000
Intergovernmental		\$29,817	29,817
Investment Earnings	250		250
Sales	67,276		67,276
Rents	31,607		31,607
Miscellaneous	1,716		1,716
Total Cash Receipts	<u>130,849</u>	<u>29,817</u>	<u>160,666</u>
Cash Disbursements:			
Salaries	34,292		34,292
Supplies and Materials for Resale	45,776		45,776
Supplies and Materials	1,595		1,595
Purchased and Contract Services	5,433	9,135	14,568
Sales and Property Tax	8,327		8,327
Repairs and Maintenance	15,589		15,589
Utilities	10,824		10,824
Insurance	13,676		13,676
Miscellaneous	3,650		3,650
Capital Outlay		28,080	28,080
Total Cash Disbursements	<u>139,162</u>	<u>37,215</u>	<u>176,377</u>
Total Receipts Over/(Under) Disbursements	(8,313)	(7,398)	(15,711)
Fund Cash Balances, January 1	<u>28,482</u>	<u>12,389</u>	<u>40,871</u>
Fund Cash Balances, December 31	<u>\$20,169</u>	<u>\$4,991</u>	<u>\$25,160</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, 2007 AND 2006**

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 7 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, 2007, there were seven active Board members and a Board appointed Airport Manager 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's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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, 2007 AND 2006
(Continued)**

2. EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash and investments at December 31 follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$20,576</u>	<u>\$25,160</u>
Total deposits	<u><u>\$20,576</u></u>	<u><u>\$25,160</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. RETIREMENT SYSTEM

The Authority's full-time employees belong 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 2007 and 2006, OPERS employee members contributed 9.5 and 9 percent, respectively, of their gross salaries. The Authority contributed an amount equal to 13.85 and 13.7, respectively, of participants' gross salaries for 2007 and 2006. The Authority had not paid \$269.37 of the contributions required through December 31, 2007.

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 such refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

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 Members:

We have audited the financial statements of the Lakefield Airport Authority, Mercer County, (the Authority), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 15, 2008, wherein we noted the Authority prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting
(Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is a material weakness.

We also noted certain internal control matters that we reported to the Authority's management in a separate letter dated May 15, 2008.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the Authority's management in a separate letter dated May 15, 2008.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

May 15, 2008

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING 2007-001

NONCOMPLIANCE / SIGNIFICANT DEFICIENCY

Ohio Admin. Code 117-2-02 (A) requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, classify, record and report its transactions. **Ohio Admin. Code 117-2-02 (D)** states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- 1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- 2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- 3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Authority maintained a cash journal, however, a separate receipts ledger and appropriation ledger were not maintained by the accounting system. This requires the Airport Manager to manually calculate receipts and disbursements to prepare the monthly financial reports for the Board and the annual financial statements. In addition, the cash journal only included the balance and activity of the Authority's checking account and did not account for the activity of the Authority's savings account.

The Authority should develop an accounting system that will provide for the detailed reporting of all transactions and assist in the preparation of monthly financial reports for the Board and facilitate annual financial reporting.

Officials Response:

Due to the Airport Manager being new in July 2007, he was not aware of all the requirements. The Airport Manager is currently correcting and updating their processes and software to alleviate this problem.

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING 2007-002

MATERIAL WEAKNESS

System Reconciliations and Financial Reporting

The Airport Manager did not reconcile the monthly book balances to the monthly bank statements from July 2007 through December 2007. In addition, the Airport Manager did not verify that the amounts reported on the annual financial report submitted for 2007 were complete or accurate and that the ending balance agreed with the amounts reported on the systems general ledger. As a result, the 2007 receipts were understated by \$21,278 and disbursements were understated by \$24,496 on the financial statements presented and, the 2007 ending balance did not reconcile with the systems general ledger by \$3,218.

The absence of a process to assure that financial reports are complete and in agreement with the underlying accounting system data could result in the failure to promptly detect inaccurate or incomplete financial information in the normal course of business. The accompanying financial statements for 2007 contain the required adjustments to accurately present the financial activity for the year.

The Airport Board should require monthly bank to book reconciliations and verify each month they were performed. In addition, procedures should be implemented to review the monthly financial reports to determine that amounts were properly posted, which can be done in part by reconciling the ending balance on the reports with the ending balance from the system.

Officials Response:

Due to the Airport Manager being new in July 2007, he was not aware of all the requirements. The Airport Manager is currently correcting and updating their processes and software to alleviate this problem. The Board will be receiving monthly financial reports effective immediately.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Posting of Expenditures to the incorrect fund.	Yes	



Mary Taylor, CPA
Auditor of State

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
JUNE 10, 2008**