



**Auditor of State
Betty Montgomery**

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005, 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

November 3, 2006

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Auditor of State Betty Montgomery

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, 2005 and 2004. 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.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat its statements. The Authority has elected not to reformat its statements. Since this Authority does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Lakefield Airport Authority, Mercer County, as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 November 3, 2006, 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.



Betty Montgomery
Auditor of State

November 3, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$50,000		\$50,000
Intergovernmental		\$184,626	184,626
Investment Earnings	180		180
Sales	66,599		66,599
Rents	32,125		32,125
Miscellaneous	8,125		8,125
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	157,029	184,626	341,655
Cash Disbursements:			
Salaries	28,628		28,628
Supplies and Materials for Resale	46,925		46,925
Supplies and Materials	2,539		2,539
Purchased and Contract Services	267		267
Sales and Property Tax	7,264		7,264
Repairs and Maintenance	25,619		25,619
Utilities	10,946		10,946
Insurance	7,715		7,715
Miscellaneous	976		976
Capital Outlay	0	187,632	187,632
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	130,879	187,632	318,511
Total Receipts Over/(Under) Disbursements	26,150	(3,006)	23,144
Fund Cash Balances, January 1	2,332	15,395	17,727
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Fund Cash Balances, December 31	\$28,482	\$12,389	\$40,871
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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, 2004**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
County Contributions	\$15,000		\$15,000
Intergovernmental	6,419	\$281,077	287,496
Investment Earnings	49	125	174
Sales	46,923		46,923
Rents	39,612		39,612
Miscellaneous	1,270		1,270
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	109,273	281,202	390,475
Cash Disbursements:			
Salaries	29,549		29,549
Supplies and Materials for Resale	35,566		35,566
Supplies and Materials	1,179		1,179
Purchased and Contract Services	1,674	48,680	50,354
Sales and Property Tax	7,457		7,457
Repairs and Maintenance	10,110		10,110
Utilities	9,542		9,542
Insurance	11,345		11,345
Miscellaneous	2,355		2,355
Payment Made on Behalf	6,419		6,419
Capital Outlay		313,404	313,404
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	115,196	362,084	477,280
Total Receipts Over/(Under) Disbursements	(5,923)	(80,882)	(86,805)
Fund Cash Balances, January 1	8,255	96,277	104,532
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$2,332	\$15,395	\$17,727
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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, 2005 AND 2004**

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 ten 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, 2005 there were seven active Board members.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The authority's checking and savings accounts are valued at cost.

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 accounting basis recognizes acquisitions of property, plant, and equipment as disbursements when paid. The financial statements do not report these as assets.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

2. EQUITY IN CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$40,871	\$17,727
Total deposits	<u>\$40,871</u>	<u>\$17,727</u>

Deposits: Deposits are either 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 2005 and 2004, OPERS employee members contributed 8.5 percent of their gross salaries. The Authority contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 2004. The Authority has paid all contributions required through December 31, 2005.

4. RISK MANAGEMENT

Commercial Insurance

The Lakefield Airport Authority has obtained commercial insurance for the following risks:

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

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State
Betty Montgomery**

**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, 2005 and 2004, and have issued our report thereon dated November 3, 2006, wherein we noted the Authority follows the 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition 2005-001 to be a material weakness. In a separate letter to the Authority's management dated November 3, 2006, we reported other matters involving internal control over financial reporting we did not deem a reportable conditions.

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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*. In a separate letter to the Authority's management dated November 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 3, 2006

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Posting of Grant Expenditures

The Airport Authority posted all 2005 and 2004 expenditures to the cash journal; however, grant project expenditures were not always posted to the proper fund. The amounts posted to general fund in error during 2005 and 2004 are as follows:

- In 2004, \$129,232 of grant related expenditures were reported in the general fund which should have been reported in the capital projects fund.
- In 2005, \$187,631 of grant related expenditures were reported in the general fund which should have been reported in the capital projects fund.

The failure to post expenditures to the proper fund limits the ability of the Board to track grant project expenditures for reporting to grantor agencies and could lead to errors or omissions that would not be detected in the normal course of business.

The Airport Authority Board should record all grant expenditures to the proper fund and function to facilitate accurate grantor and financial reporting. The accompanying financial statements include the required adjustments to present the grant expenditures correctly.

Authority's Response:

The Authority tries to post all expenditures to the proper fund and function. In 2006, the Authority is posting grant transactions to the capital project fund.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Admin. Code 117-2-02(A) failure to maintain required accounting records.	No	Partially corrected. Re-issued as a management letter comment.
2003-002	Ohio Rev. Code 135.18 and 135.181 failure to maintain security for amounts on deposit.	Yes	
2003-003	Ohio Rev. Code 308.13 failure to obtain bids for contracts over the \$15,000 required bidding amount.	Yes	



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 28, 2006**