



**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011



Dave Yost • Auditor of State

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

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INDEPENDENT AUDITORS' REPORT

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

To the Authority Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Lakefield Airport Authority, Mercer County, (the Authority) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Lakefield Airport Authority, Mercer County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during 2011 the Lakefield Airport Authority adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

March 20, 2013

**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, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
County Contributions	\$14,250		\$14,250
Intergovernmental		\$91,627	\$91,627
Investment Earnings	15		\$15
Sales	97,572		\$97,572
Rents	25,586		\$25,586
Miscellaneous	7,527		\$7,527
Total Cash Receipts	<u>144,950</u>	<u>91,627</u>	<u>236,577</u>
Cash Disbursements:			
Supplies and Materials for Resale	80,078		80,078
Supplies and Materials	294		294
Purchased and Contract Services	24,954	85,170	110,124
Sales and Property Tax	7,770		7,770
Repairs and Maintenance	7,183		7,183
Utilities	11,057		11,057
Insurance	7,760		7,760
Bad Debt Expense	1,015		1,015
Miscellaneous	2,625		2,625
Total Cash Disbursements	<u>142,736</u>	<u>85,170</u>	<u>227,906</u>
Excess Receipts Over (Under) Disbursements	<u>2,214</u>	<u>6,457</u>	<u>8,671</u>
Other Financing Receipts (Disbursements):			
Transfers In	33,758		33,758
Transfers Out		(33,758)	(33,758)
Total Other Financing Receipts (Disbursements)	<u>33,758</u>	<u>(33,758)</u>	<u></u>
Net Change in Fund Cash Balances	35,972	(27,301)	8,671
Fund Cash Balances, January 1	<u>(13,472)</u>	<u>27,191</u>	<u>13,719</u>
Fund Cash Balances, December 31:			
Non-spendable			
Restricted			
Committed			
Assigned			
Unassigned (Deficit)	22,500	(110)	22,390
Fund Cash Balances, December 31	<u>\$22,500</u>	<u>(\$110)</u>	<u>\$22,390</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, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
County Contributions	\$15,000		\$15,000
Intergovernmental		\$444,670	\$444,670
Investment Earnings	35		\$35
Sales	15,447		\$15,447
Rents	24,704		\$24,704
Miscellaneous	10,385		\$10,385
Total Cash Receipts	<u>65,571</u>	<u>444,670</u>	<u>510,241</u>
Cash Disbursements:			
Supplies and Materials for Resale	35,481		35,481
Supplies and Materials	202		202
Purchased and Contract Services	28,451	447,654	476,105
Sales and Property Tax	3,834		3,834
Repairs and Maintenance	4,042		4,042
Utilities	11,106		11,106
Insurance	8,221		8,221
Miscellaneous	3,301		3,301
Total Cash Disbursements	<u>94,638</u>	<u>447,654</u>	<u>542,292</u>
Excess Receipts Over (Under) Disbursements	<u>(29,067)</u>	<u>(2,984)</u>	<u>(32,051)</u>
Other Financing Receipts (Disbursements):			
Sale of Loans	24,600		24,600
Total Other Financing Receipts (Disbursements)	<u>24,600</u>		<u>24,600</u>
Net Change in Fund Cash Balances	(4,467)	(2,984)	(7,451)
Fund Cash Balances, January 1	<u>(9,005)</u>	<u>30,175</u>	<u>21,170</u>
Fund Cash Balances, December 31:			
Non-spendable			
Restricted		27,191	27,191
Committed			
Assigned			
Unassigned (Deficit)	(13,472)		(13,472)
Fund Cash Balances, December 31	<u>(\$13,472)</u>	<u>\$27,191</u>	<u>\$13,719</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, 2012 AND 2011**

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 Mercer County Commissioners appoints nine Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Lakefield Airport.

As of December 31, 2012, 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. Deposits 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 Projects Fund

These funds are used to account for the 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 remove hanger and extend ramp (parking area).

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, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Non-spendable**

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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:

	2012	2011
Demand deposits	\$22,390	\$13,719
Total deposits	\$22,390	\$13,719

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

3. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal
Fuel Loan	\$24,600
Total	\$24,600

The Authority is obligated for a loan payable to the Mercer County Commissioners. The loan shall be repaid in the full amount at the time the purchase and sale of fuel converts to a new Fixed Based Operator. It is anticipated that the current Fixed Based Operator will assume administration of the purchase and sale of fuel in January 2013. If the Fixed Based Operator has not assumed the administration of the fuel, then the Mercer County Commissioners will prepare a payment schedule whereby the Authority will be required to make principal payments beginning in 2013.

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. INTERFUND TRANSFERS

The Authority petitioned the court in 2012 to transfer \$33,758 from the Capital Projects Fund to the General Fund and received approval for the transfer.

6. 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.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. ACCOUNTABILITY

At December 31, 2011, the General Fund had a deficit fund balance of \$13,472 which was eliminated in 2012 due to a court approved transfer from the Capital Project Fund. At December 31, 2012, the Capital Project Fund had a deficit fund balance of \$110 due to timing of grant reimbursements from the FAA.

8. CHANGE IN ACCOUNTING PRINCIPLES

For 2011, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Implementing GASB Statement No. 54 did not have any effect on the fund balances.



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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 Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lakefield Airport Authority, Mercer County, (the Authority) as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated March 20, 2013 wherein we noted the Authority adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the Authority followed special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statement. We consider finding 2012-001 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, opining 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*.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

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

March 20, 2013

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

1. Financial Record Keeping

FINDING NUMBER 2012-001

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 Project funds or properly record the fuel loan or inventory expenditures. At year-end, the Clerk 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 made it difficult for the Board to monitor if activity was being recorded in the correct fund and the actual fund balance. The inventory expenditures were not recorded on the financial statements for 2011 and 2012 in the amount of \$21,473 and \$3,413 respectively and the fuel loan was not recorded on the financial statements for 2011 in the amount of \$24,600, which all resulted in audit adjustments. In addition, these weaknesses caused a negative General Fund Balance of \$13,472 in 2011 and a negative fund balance of \$110 in the Capital Projects Fund for 2012.

The Airport should obtain fund accounting software or maintain spreadsheets of financial activity by fund that also includes beginning and ending fund balances. Procedures should be developed to monitor fund balances, to verify that all receipts and expenditures are posted in correct accounts, and to identify those funds that may potentially fall into a negative balance. The Clerk should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly along with the Board reviewing this information, make appropriate inquiries and document its approval in the minutes.

Official's Response:

The Airport Authority Board is aware of the limitations of its QuickBooks software. The airport has maintained its financial records on QuickBooks for many years, and although there are limitations, the Board feels it is adequate. There are only a few accounting software programs available at a reasonable cost, none of which offer fund accounting. Due to the limited budget of the airport, it is not feasible to pay for a fund accounting software program and the required maintenance cost.

The Board will continue to monitor its revenue/expenses.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Financial Record Keeping / Monitoring	No	Partially Corrected – Repeated as Finding 2012-001



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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
APRIL 18, 2013