



**Auditor of State
Betty Montgomery**

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	13

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Airport Authority Board:

We have audited the accompanying financial statements of the Lakefield Airport Authority, Mercer County, (the Authority), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Authority as of December 31, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Airport Authority Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 26, 2004

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**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$15,000		\$15,000
Intergovernmental		263,192	263,192
Investment Earnings		295	295
Sale of Fuel	36,252		36,252
Rents	38,018		38,018
Miscellaneous	4,874		4,874
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	94,144	263,487	357,631
Cash Disbursements:			
Salaries	31,166		31,166
Supplies and Materials	23,633		23,633
Purchased and Contract Services	5,172	119,063	124,235
Sales Tax	3,774		3,774
Repairs and Maintenance	4,145		4,145
Equipment	41,444		41,444
Utilities	6,960		6,960
Insurance	9,097		9,097
Miscellaneous	850		850
Capital Outlay		102,526	102,526
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	126,241	221,589	347,830
Total Receipts Over/(Under) Disbursements	(32,097)	41,898	9,801
Fund Cash Balances, January 1	40,119	54,379	94,498
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$8,022</u>	<u>\$96,277</u>	<u>\$104,299</u>

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

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
County Contributions	\$20,000		\$20,000
Intergovernmental		139,276	139,276
Investment Earnings	852		852
Sale of Fuel	34,766		34,766
Rents	34,160		34,160
Miscellaneous	3,214		3,214
Total Cash Receipts	<u>92,992</u>	<u>139,276</u>	<u>232,268</u>
Cash Disbursements:			
Salaries	20,427		20,427
Supplies and Materials	28,947		28,947
Purchased and Contract Services	8,521	54,855	63,376
Sales and Property Taxes	2,931		2,931
Repairs and Maintenance	8,269		8,269
Utilities	7,424		7,424
Insurance	6,139		6,139
Miscellaneous	2,727		2,727
Capital Outlay	3,483	56,000	59,483
Total Cash Disbursements	<u>88,868</u>	<u>110,855</u>	<u>199,723</u>
Total Receipts Over Disbursements	4,124	28,421	32,545
Fund Cash Balances, January 1 (Restated)	<u>35,995</u>	<u>25,958</u>	<u>61,953</u>
Fund Cash Balances, December 31	<u><u>\$40,119</u></u>	<u><u>\$54,379</u></u>	<u><u>\$94,498</u></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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lakefield Airport Authority, Mercer County, (the Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a ten member Board, appointed by the Mercer County Commissioners. The Authority is responsible for the safety and efficient operation and maintenance of the airport.

At December 31, 2003, 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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

Deposits are in two checking accounts and a savings account, all valued at cost. Although not required by statute or grant terms and conditions, the Authority maintains a separate checking account for grant monies.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. 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 is the general operating fund. It is used to account for 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 (except those financed through enterprise or trust funds). The Authority had the following significant capital project fund.

Airport Improvement Program Fund - The Authority received federal grants to lengthen the runways.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. RESTATEMENT OF FUND BALANCES

The composite fund balance presented for the Capital Project Fund Type did not equal the total of the individual grant cash ledgers at the beginning of fiscal year 2002. Various transactions were conducted through the general fund rather than the capital project fund.

The following table summarizes the change to the fund balances:

Fund Type	General	Capital Project
Fund Balance, December 31, 2001	\$30,240	\$31,713
Correction to Funds Balances	5,755	(5,755)
Restated Fund Balance, January 1, 2002	\$35,995	\$25,958

3. EQUITY IN CASH

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

	2003	2002
Demand deposits	\$104,299	\$94,498

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and \$993 of the balance reported on the financial statements of the entity are held by the County on behalf of the Airport Authority

4. RETIREMENT SYSTEM

The Authority's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS employee members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Authority has paid all contributions required through December 31, 2003.

5. 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.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. CONTRACTUAL COMMITMENTS

The Authority had two significant outstanding contracts at December 31, 2003 as follows: 1) a contract for building demolition with an outstanding amount of \$5,000; and 2) a contract for paving with an outstanding amount of \$2,772.

7. 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.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Airport Authority Board:

We have audited the financial statements of the Lakefield Airport Authority, Mercer County, (the Authority), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 26, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 to 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated July 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated July 26, 2004.

Lakefield Airport Authority
Mercer County
Independent Accountants' Report on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Airport Authority Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 26, 2004

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003- 001

Noncompliance Citation

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:

- a) 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.
- b) 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.
- c) 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 for the General Fund and for each federal grant, however, a separate receipts ledger and appropriation ledger was not maintained and the information maintained in the cash journals did not allow for the preparation of financials statements that would include classification of receipts and expenditures. For example, the receipts were noted in lump sum amounts which did not indicate the revenue by type (grants, rent, gas sales, etc.) The expenditures were identified by check number but provided no indication of account to be charged (salaries, supplies and materials, capital outlay, etc.) In addition, the cash journal maintained included in the balance only the checking account for the Airport and does not account for the savings account maintained.

The Authority should develop an accounting system that would enable accurate reporting of transactions and preparation of financial statements.

FINDING NUMBER 2003- 002

Ohio Rev. Code Sections 135.18 and 135.181 state that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Airport Authority's deposits were not covered for any amounts over the Federal Depository Insurance Corporation (FDIC). There were various instances during fiscal years 2003 and 2002 when the bank balance exceeded the FDIC coverage without adequate security being pledged. For a period of five months during 2002 and 2003 the balances were in excess of FDIC coverage in amounts ranging from \$30,000 to \$150,000.

The Airport Authority should obtain adequate pooled or pledged collateral for all deposits in excess of the FDIC coverage. The Authority should monitor the balances periodically and obtain additional collateral as necessary.

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

FINDING NUMBER 2003- 003

Ohio Rev. Code Section 308.13 states that expenditures over fifteen thousand dollars shall be made only after a notice calling for bids has been published once a week for three consecutive weeks in at least one newspaper of general circulation within the territorial boundaries of the regional airport authority.

The Airport Authority entered into two contracts, one for the purchase of a tractor and attachments (\$46,526) and one for the demolition of buildings (\$29,000), and did not publish in a newspaper of general circulation for the proper time frames.

The Airport Authority should publish all bid contracts in the paper for three consecutive weeks.

**LAKEFIELD AIRPORT AUTHORITY
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60254-001	OAC Sec. 117-2-02 (A) - Improper recordkeeping procedures employed.	No	Citation repeated.
2001-60254-002	Lack of accurate reporting of amounts expended for Airport Improvement Program	No	Not tested, the current audit is not a single audit.
2001-60254-003	Costs reported which were not part of the approved budget.	No	Not tested, the current audit is not a single audit.
2001-60254-004	Improper cash management to assure minimizing time between receipt and expenditure of funds.	No	Not tested, the current audit is not a single audit.



**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
SEPTEMBER 16, 2004**