

# **OFFICE OF STATE AUDITOR**

## **AUDIT REPORT**

**LAKE REGION LAW ENFORCEMENT CENTER  
DEVILS LAKE, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

TABLE OF CONTENTS  
For the Year Ended December 31, 2011

---

	<u>Page(s)</u>
Law Enforcement Center Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Assets and Liabilities	10
Notes to the Financial Statements	11 - 19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules:	
General Fund	20
Combined E-911 / Wireless Fund	21
<b>SUPPLEMENTARY INFORMATION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	22 - 23
Schedule of Findings and Questioned Costs	24

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

LAW ENFORCEMENT CENTER OFFICIALS

December 31, 2011

Joe Belford  
Rick Morse  
Jason Lee  
Craig Stromme  
Ron Dahlen  
Kenneth Tuebner  
Bill Mertens  
Jeff Pfau

Richard Johnson  
Peggy Hoel

Chairman  
Vice-Chairman  
Commissioner  
Commissioner  
Commissioner  
Commissioner  
Commissioner  
Commissioner

Director  
Administrative Assistant

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

---

---

INDEPENDENT AUDITOR'S REPORT

---

Governing Board  
Lake Region Law Enforcement Center  
Devils Lake, North Dakota

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake Region Law Enforcement Center, Devils Lake, North Dakota as of and for the year ended December 31, 2011, which collectively comprise the Law Enforcement Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lake Region Law Enforcement Center's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lake Region Law Enforcement Center, Devils Lake, North Dakota, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012 on our consideration of Lake Region Law Enforcement Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 20-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**LAKE REGION LAW ENFORCEMENT CENTER**  
Independent Auditor's Report – Continued

---

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Robert R. Peterson  
State Auditor

August 1, 2012

---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF NET ASSETS  
December 31, 2011

---

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 769,040
Investments	319,322
Accounts Receivable	417,683
Capital Assets (not being depreciated):	
Land	87,446
Construction In Progress	22,150
Capital Assets (net of accumulated depreciation):	
Buildings	2,065,489
Building Improvement	84,088
Vehicles	11,740
Equipment	130,102
Office Equipment	4,374
Total Capital Assets	<u>\$ 2,405,389</u>
Total Assets	<u>\$ 3,911,434</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 108,004
Interest Payable	250
Long-Term Liabilities:	
Lease Payable - Due Within One Year	1,458
Lease Payable - Due Outside One Year	4,374
Compensated Absences Payable:	
Due Within One Year	20,251
Due Outside One Year	<u>81,005</u>
Total Liabilities	<u>\$ 215,342</u>
<u>NET ASSETS:</u>	
Invested in Capital Assets Net of Related Debt	\$ 2,399,557
Restricted for:	
E-911/Wireless	244,648
Unrestricted	<u>1,051,887</u>
Total Net Assets	<u>\$ 3,696,092</u>

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

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

Functions/Programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Net Assets Changes in
<u>Governmental Activities:</u>			
Public Safety	\$ 3,842,570	\$ 4,258,681	\$ 416,111
Interest & Service Charges	545	-	(545)
Total Governmental Activities	<u>\$ 3,843,115</u>	<u>\$ 4,258,681</u>	<u>\$ 415,566</u>
<u>General Revenues:</u>			
Interest Income			\$ 4,770
Miscellaneous Income			<u>20,875</u>
Total General Revenues			<u>\$ 25,645</u>
Change in Net Assets			<u>\$ 441,211</u>
Net Assets - January 1			\$ 3,256,340
Prior Period Adjustment			<u>(1,459)</u>
Fund Balance - January 1, as restated			<u>\$ 3,254,881</u>
Net Assets - December 31			<u><u>\$ 3,696,092</u></u>

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

---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2011

---

	Major Funds		Total Governmental Funds
	General	Combined E-911/Wireless	
<u>ASSETS</u>			
Cash	\$ 693,715	\$ 75,326	\$ 769,041
Investments	150,000	169,322	319,322
Accounts Recievable	417,683	-	417,683
Total Assets	<u>\$ 1,261,398</u>	<u>\$ 244,648</u>	<u>\$ 1,506,046</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts Payable	\$ 90,178	\$ 17,826	\$ 108,004
<u>Fund Balances:</u>			
Restricted For:			
Public Safety	\$ -	\$ 226,822	\$ 226,822
Unassigned	1,171,220	-	1,171,220
Total Fund Balances	<u>\$ 1,171,220</u>	<u>\$ 226,822</u>	<u>\$ 1,398,042</u>
Total Liabilities and Fund Balances	<u>\$ 1,261,398</u>	<u>\$ 244,648</u>	<u>\$ 1,506,046</u>

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

---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

---

Total *Fund Balances* for Governmental Funds \$ 1,398,042

Total *net assets* reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Capital Assets	\$ 3,487,736	
Less Accumulated Depreciation	<u>(1,082,347)</u>	
Net Capital Assets		2,405,389

Long-term liabilities applicable to the Center's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net assets. Balances at December 31, 2011 are:

Capital Leases Payable	\$ (5,832)	
Interest Payable	(250)	
Compensated Absences	<u>(101,257)</u>	
Total Long-Term Liabilities		<u>(107,339)</u>

Total Net Assets of Governmental Activities \$ 3,696,092

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

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Major Funds		Total Governmental Funds
	General	E-911/Wireless Combined	
<u>Revenues:</u>			
Rent	\$ 44,260	\$ -	\$ 44,260
County Assessments	87,590	-	87,590
RRC	509,420	-	509,420
911 Assessments	-	515,836	515,836
Contract Payments	2,645,986	-	2,645,986
Reimbursements	455,589	-	455,589
Interest	4,770	-	4,770
Other - Transports	20,875	-	20,875
	<u>\$ 3,768,490</u>	<u>\$ 515,836</u>	<u>\$ 4,284,326</u>
<u>Expenditures:</u>			
Current:			
Public Safety	\$ 3,188,183	\$ 529,138	\$ 3,717,321
Capital Outlay	145,861	-	145,861
Debt Service:			
Principal	1,458	-	1,458
Interest	545	-	545
Total Expenditures	<u>\$ 3,336,047</u>	<u>\$ 529,138</u>	<u>\$ 3,865,185</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 432,443</u>	<u>\$ (13,302)</u>	<u>\$ 419,141</u>
Net Change in Fund Balances	<u>\$ 432,443</u>	<u>\$ (13,302)</u>	<u>\$ 419,141</u>
Fund Balance - January 1	<u>\$ 738,777</u>	<u>\$ 240,124</u>	<u>\$ 978,901</u>
Fund Balance - December 31	<u>\$ 1,171,220</u>	<u>\$ 226,822</u>	<u>\$ 1,398,042</u>

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

---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

---

Net Change in *Fund Balances* - Total Governmental Funds \$ 419,141

The change in net assets reported for governmental activities in the statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	\$ (7,625)	
Net Decrease in Interest Payable	<u>(250)</u>	(7,875)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 118,326	
Current Year Depreciation Expense	<u>(89,839)</u>	28,487

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt repayment exceeded debt proceeds.

Repayment of Debt - Lease		<u>1,458</u>
---------------------------	--	--------------

Change in Net Assets of Governmental Activities \$ 441,211

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

---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
December 31, 2011

---

	<u>Agency Fund</u>
<u>Assets:</u>	
Cash and Investments	<u>\$    16,932</u>
<u>Liabilities:</u>	
Due to Inmates	<u>\$    16,932</u>

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

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lake Region Law Enforcement Center, Devils Lake, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Lake Region Law Enforcement Center. The enforcement center has considered all potential component units for which the enforcement center is financially accountable, and other organizations for which the nature and significance of their relationship with the enforcement center are such that exclusion would cause the enforcement center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Lake Region Law Enforcement Center to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Lake Region Law Enforcement Center.

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the Lake Region Law Enforcement Center (the primary government), as there are no component units. The Lake Region Law Enforcement Center is a joint venture of Benson, Eddy, Nelson, Ramsey and Towner Counties and the City of Devils Lake.

B. Basis of Presentation

*Government-wide statements:* The statement of net assets and the statement of activities display information about the primary government, Lake Region Law Enforcement Center. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Law Enforcement Center's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Law Enforcement Center reports the following major governmental funds:

*General Fund.* This is the center's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Combined E-911/Wireless Fund.* This fund accounts for activity of the Law Enforcement Centers Emergency 911 operations for land lines and cellular phones.

Additionally, the Law Enforcement Center reports the following fund type:

*Agency Fund.* This fund accounts for assets held by the center in a custodial capacity as an agent on behalf of others. The center's agency fund is used to account for activity at the jail commissary.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Law Enforcement Center gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Law Enforcement Center considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Law Enforcement Center funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Law Enforcement Center's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Law Enforcement Center has elected not to follow subsequent private-sector guidance.

D. Deposits and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less. Investments are stated at cost.

E. Capital Assets

Capital assets, which include property, buildings, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Indefinite
Buildings	50
Office Equipment	3 - 5
Equipment	5 - 15
Vehicles	5

F. Compensated Absences

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 176 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. An unlimited number of sick leave hours may be carried over and employees are paid for 25% of their accumulated sick, to a maximum of 240 hours of leave, at retirement. When intent to terminate employment is submitted, the employee must have 5 continuous years of service to be eligible for monetary compensation. Vested or accumulated vacation and sick leave is reported in government-wide statement of net assets.

Vacation leave is earned as follows:

<b>Years of Service</b>	<b>Hours per Month</b>
1 through 4 years	8
4 through 8 years	10
8 through 15 years	12
15 years and over	14

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**H. Fund Balances / Net Assets Equity**

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Lake Region Law Enforcement Center did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2011.

Restricted Fund Balances – consist of the following item at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for public safety. Restricted fund balance in the combined E-911/wireless special revenue fund is restricted by enabling legislation (primarily state law for as to restrictions on those funds).

**Net Assets Equity:**

When both unrestricted and restricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

Restrictions of net assets equity shown in the net assets statement is due to restrictions in state law as to how E-911/Wireless funds are to be used. Additionally, invested in capital assets, net of related debt equity is shown. Unrestricted net assets equity consists of activity related to the general fund.

Restricted net assets equity in the statement of net assets is shown by primary function (as fund balance are shown), as fund balances are shown, and is restricted for public safety.

**I. Interfund Transactions**

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

**NOTE 2: LEGAL COMPLIANCE - BUDGETS**

**BUDGETS**

Based upon available financial information and requests by the governing board, the director prepares the preliminary budget. The budget is prepared for the general and special revenue fund by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

**BUDGET AMENDMENTS**

The LEC amended the 2011 budgets on January 18, 2012 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<b>Major Fund:</b>			
General Fund	\$3,194,028	\$88,214	\$3,282,242
Combined E911/Wireless	502,075	13,238	515,313

**NOTE 3: DEPOSITS AND INVESTMENTS**

In accordance with North Dakota Statutes, Lake Region Law Enforcement Center maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any Law Enforcement Center, city, township, school, park, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2011, the Law Enforcement Center's carrying amount of deposits was \$1,104,807 and the bank balances totaled \$1,129,300. Of the bank balances, \$672,118 was covered by Federal Depository Insurance.

Credit Risk:

The Law Enforcement Center may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

Concentration of Credit Risk:

The Law Enforcement Center does not have a limit on the amount it may invest in any one issuer.

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from other entities for services performed during the year ended December 31, 2011.

**NOTE 5: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2011 and chargeable to appropriations for the years then ended, but paid subsequent to that date.

**LAKE REGION LAW ENFORCEMENT CENTER**  
Notes to the Financial Statements - Continued

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2011:

<b>Governmental Activities (FY2011):</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 30</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 87,447	\$ -	\$ -	\$ 87,447
Construction In Progress	-	22,150	-	22,150
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 87,447</b>	<b>\$22,150</b>	<b>\$ -</b>	<b>\$ 109,597</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$2,994,267	\$ 7,662	\$ -	\$3,001,929
Building Improvements	-	88,514	-	88,514
Vehicles	73,399	-	-	73,399
Office Equipment	7,290	-	-	7,290
Equipment	235,809	-	-	235,809
<b>Total Capital Assets, Being Depreciated</b>	<b>\$3,310,765</b>	<b>\$96,176</b>	<b>\$ -</b>	<b>\$3,406,941</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 876,402	\$60,039	\$ -	\$ 936,441
Building Improvements	-	4,426	-	4,426
Vehicles	55,200	6,460	-	61,660
Office Equipment	1,458	1,458	-	2,916
Equipment	88,249	17,457	-	105,706
<b>Total Accumulated Depreciation</b>	<b>\$1,021,309</b>	<b>\$89,840</b>	<b>\$ -</b>	<b>\$1,111,149</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$2,289,456</b>	<b>\$ 6,336</b>	<b>\$ -</b>	<b>\$2,295,792</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$2,376,903</b>	<b>\$28,486</b>	<b>\$ -</b>	<b>\$2,405,389</b>

Depreciation expense was charged to functions/programs of the center as follows:

<b>Governmental Activities:</b>	<b>Buildings</b>	<b>Building Imp.</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
Public Safety	\$60,039	\$4,426	\$6,460	\$17,457	\$1,458	\$89,839
<b>Total Depreciation Expense – Gov't Activities</b>	<b>\$60,039</b>	<b>\$4,426</b>	<b>\$6,460</b>	<b>\$17,457</b>	<b>\$1,458</b>	<b>\$89,839</b>

**NOTE 7: LONG-TERM DEBT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

<b>Governmental Activities</b>	<b>Balance 1-1-11</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-11</b>	<b>Due Within One Year</b>
Leases Payable	\$ 7,290	\$ -	\$1,458	\$ 5,832	\$1,458
Compensated Absences Payable	93,632	7,625	-	101,257	5,361
<b>TOTAL</b>	<b>\$100,922</b>	<b>\$7,625</b>	<b>\$1,458</b>	<b>\$107,089</b>	<b>\$6,819</b>

\* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

**Capital Leases** - The primary government has entered into lease agreements as lessee for financing the acquisition of two copy machines (total principal cost of \$7,290). These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

**LAKE REGION LAW ENFORCEMENT CENTER**  
Notes to the Financial Statements - Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Capital Lease</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$1,458	\$ 545
2013	1,458	545
2014	1,458	545
2015	1,458	546
<b>TOTALS</b>	<b>\$5,832</b>	<b>\$2,181</b>

**NOTE 8: RISK MANAGEMENT**

The Lake Region Law Enforcement Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Law Enforcement Center pays an annual premium to NDRIF for its general liability. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability.

The Lake Region Law Enforcement Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Law Enforcement Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Law Enforcement Center with blanket fidelity bond coverage in the amount of \$818,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Law Enforcement Center has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**NOTE 9: RETIREMENT PLAN**

The Law Enforcement Center participates in a deferred compensation plan from Nationwide Retirement Solutions. Employees are obligated to contribute a minimum of 4%, up to 25% of their gross salary, and the Law Enforcement Center will match up to 5%. The Law Enforcement Center's contributions to Nationwide Retirement Solutions the years ending December 31, 2011, 2010, and 2009 were \$41,562, \$35,489, and \$36,596 respectively, equal to the required contributions for the year.

**NOTE 10: CONSTRUCTION COMMITMENTS**

As of December 31, 2011, the Law Enforcement Center had the following open construction commitments:

<b>Project</b>	<b>Contract</b>	<b>Total Completed</b>	<b>Remaining Commitment</b>	<b>Retainage</b>
ETS Systems	\$23,848	\$23,848	\$ -	\$ -
Total Open Construction 12/31/11	\$23,848	\$23,848	\$ -	\$ -

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

There were prior period adjustments for the period ending December 31, 2011 for Governmental Activities involving adjustments to the net capital assets and beginning lease balance:

<b>Governmental Activities:</b>	<b>Amounts</b>
Beginning Net Assets, as previously reported	\$3,256,340
<b>Adjustments to restate the January 1, 2011 Net Assets:</b>	
Adjustment to correct beginning Lease Payable balance	(7,920)
Capital Assets net adjustment for cost and depreciation	5,831
Net Assets January 1, as restated	<u>\$3,254,881</u>

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Rent	\$ 44,260	\$ 44,260	\$ 44,260	\$ -
County Assessments	87,590	87,590	87,590	-
Contract Payments	2,309,144	2,345,928	2,645,986	300,058
RRC	476,590	509,420	509,420	-
Reimbursements	427,234	433,060	455,589	22,529
Interest	3,450	4,770	4,770	-
Other	25,000	20,875	20,875	-
<b>Total Revenues</b>	<b>\$ 3,373,268</b>	<b>\$ 3,445,903</b>	<b>\$ 3,768,490</b>	<b>\$ 322,587</b>
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 3,151,528	\$ 3,136,381	\$ 3,188,183	\$ (51,802)
Capital Outlay	42,500	145,861	145,861	-
Debt Service:				
Principal	-	-	1,458	(1,458)
Interest	-	-	545	(545)
<b>Total Expenditures</b>	<b>\$ 3,194,028</b>	<b>\$ 3,282,242</b>	<b>\$ 3,336,047</b>	<b>\$ (53,805)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 179,240</b>	<b>\$ 163,661</b>	<b>\$ 432,443</b>	<b>\$ 268,782</b>
<b>Fund Balance - January 1</b>	<b>\$ 738,777</b>	<b>\$ 738,777</b>	<b>\$ 738,777</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 918,017</b>	<b>\$ 902,438</b>	<b>\$ 1,171,220</b>	<b>\$ 268,782</b>

---

---

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COMBINED E-911/WIRELESS FUND  
For the Year Ended December 31, 2011

---

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
911 Assessments	\$ 491,950	\$ 508,754	\$ 515,836	\$ 7,082
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 502,075	\$ 515,313	\$ 529,138	\$ (13,825)
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,125)	\$ (6,559)	\$ (13,302)	\$ (6,743)
Fund Balance - January 1	\$ 240,124	\$ 240,124	\$ 240,124	\$ 3,481
Fund Balance - December 31	\$ 229,999	\$ 233,565	\$ 226,822	\$ (6,743)

STATE AUDITOR

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

---

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

---

Governing Board  
Lake Region Law Enforcement Center  
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities and each major fund of the Lake Region Law Enforcement Center, Devils Lake, North Dakota as of and for the year ended December 31, 2011, which collectively comprise the Law Enforcement Center's basic financial statements and have issued our report thereon dated August 1, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the Lake Region Law Enforcement Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lake Region Law Enforcement Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Region Law Enforcement Center County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Region Law Enforcement Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Law Enforcement Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Law Enforcement Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the Law Enforcement Center, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson  
State Auditor

August 1, 2011

