

OFFICE OF STATE AUDITOR

AUDIT REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2012



LAKE REGION LAW ENFORCEMENT CENTER
Devils Lake, North Dakota

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LAKE REGION LAW ENFORCEMENT CENTER
Devils Lake, North Dakota

LAW ENFORCEMENT CENTER OFFICIALS

December 31, 2012

Bill Mertens	Chairman-LEC, Ramsey County Commission Representative
Craig Stromme	Chairman-E-911, City of Devils Lake Representative
Dan Marquart	Commissioner, Nelson County Commission Representative
Rick Morse	Commissioner, City of Devils Lake Representative
Jeff Pfau	Commissioner, Eddy County Commission Representative
Michael Steffan,	Commissioner, Benson County Commission Representative
Kenneth Teubner	Commissioner, Towner County Commission Representative
Mark Olson	Commissioner, Ramsey County Commission Representative
Richard Johnson	Director
Peggy Hoel	Administrative Assistant

STATE AUDITOR

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and related notes to the financial statements, which collectively comprise the Law Enforcement Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 19-20 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the 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* in considering Lake Region Law Enforcement Center's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 18, 2013

LAKE REGION LAW ENFORCEMENT CENTER
Devils Lake, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 873,458
Investments	319,322
Accounts Receivable	421,826
Capital Assets (not being depreciated):	
Land	87,447
Capital Assets (net of accumulated depreciation):	
Buildings	2,005,449
Building Improvement	102,525
Vehicles	5,280
Equipment	112,645
Office Equipment	2,916
Total Capital Assets	<u>\$ 2,316,262</u>
Total Assets	<u>\$ 3,930,868</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 70,330
Interest Payable	295
Long-Term Liabilities:	
Lease Payable - Due Within One Year	1,537
Lease Payable - Due Outside One Year	2,837
Compensated Absences Payable:	
Due Within One Year	22,967
Due Outside One Year	91,871
Total Liabilities	<u>\$ 189,837</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 2,311,888
Restricted for:	
E-911/Wireless	215,793
Unrestricted	<u>1,213,350</u>
Total Net Position	<u><u>\$ 3,741,031</u></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, 2012

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities:</u>			
Public Safety	\$ 3,878,536	\$ 3,853,789	\$ (24,747)
Interest & Service Charges	590	-	(590)
Total Governmental Activities	<u>\$ 3,879,126</u>	<u>\$ 3,853,789</u>	<u>\$ (25,337)</u>
<u>General Revenues:</u>			
Interest Income			\$ 3,442
Miscellaneous Income			<u>66,834</u>
Total General Revenues			<u>\$ 70,276</u>
Change in Net Position			<u>\$ 44,939</u>
Net Position - January 1			<u>\$ 3,696,092</u>
Net Position - December 31			<u><u>\$ 3,741,031</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, 2012

	<u>Major Funds</u>		Total Governmental Funds
	General	Combined E-911/Wireless	
<u>ASSETS</u>			
Cash	\$ 826,987	\$ 46,471	\$ 873,458
Investments	150,000	169,322	319,322
Accounts Recievable	396,386	25,440	421,826
Total Assets	<u>\$ 1,373,373</u>	<u>\$ 241,233</u>	<u>\$ 1,614,606</u>
<u>LIABILITIES</u>			
Accounts Payable	<u>\$ 46,627</u>	<u>\$ 23,703</u>	<u>\$ 70,330</u>
<u>Fund Balances:</u>			
Restricted For:			
Public Safety	\$ -	\$ 217,530	\$ 217,530
Unassigned	1,326,746	-	1,326,746
Total Fund Balances	<u>\$ 1,326,746</u>	<u>\$ 217,530</u>	<u>\$ 1,544,276</u>
Total Liabilities and Fund Balances	<u>\$ 1,373,373</u>	<u>\$ 241,233</u>	<u>\$ 1,614,606</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 POSITION
December 31, 2012

Total *Fund Balances* for Governmental Funds \$ 1,544,276

Total *net position* reported for governmental activities in the statement of net position 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	\$ 3,490,989	
Less Accumulated Depreciation	<u>(1,174,727)</u>	
Net Capital Assets		2,316,262

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 position. Balances at December 31, 2012 are:

Capital Leases Payable	\$ (4,374)	
Interest Payable	(295)	
Compensated Absences	<u>(114,838)</u>	
Total Long-Term Liabilities		<u>(119,507)</u>

Total Net Position of Governmental Activities \$ 3,741,031

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, 2012

	Major Funds		Total Governmental Funds
	General	Combined E-911/Wireless	
<u>Revenues:</u>			
Rent	\$ 44,260	\$ -	\$ 44,260
County Assessments	93,927	-	93,927
RRC	493,772	-	493,772
911 Assessments	-	558,881	558,881
Contract Payments	2,287,097	-	2,287,097
Reimbursements	375,852	-	375,852
Interest	3,442	-	3,442
Other - Transports	22,421	-	22,421
Miscellaneous Income	44,413	-	44,413
Total Revenues	\$ 3,365,184	\$ 558,881	\$ 3,924,065
<u>Expenditures:</u>			
Current:			
Public Safety	\$ 3,207,744	\$ 568,084	\$ 3,775,828
Debt Service:			
Principal	1,458	-	1,458
Interest	545	-	545
Total Expenditures	\$ 3,209,747	\$ 568,084	\$ 3,777,831
Excess (Deficiency) of Revenues Over Expenditures	\$ 155,437	\$ (9,203)	\$ 146,234
<u>Other Financing Sources (Uses):</u>			
Transfers In	\$ 89	\$ -	\$ 89
Transfers Out	-	(89)	(89)
Total Other Financing Sources and Uses	\$ 89	\$ (89)	\$ -
Net Change in Fund Balances	\$ 155,526	\$ (9,292)	\$ 146,234
Fund Balance - January 1	\$ 1,171,220	\$ 226,822	\$ 1,398,042
Fund Balance - December 31	\$ 1,326,746	\$ 217,530	\$ 1,544,276

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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 146,234

The change in net position 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	\$ (13,581)	
Net Increase in Interest Payable	<u>(45)</u>	(13,626)

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 depreciation exceeded capital outlays in the current year.

Current Year Capital Outlay	\$ 3,253	
Current Year Depreciation Expense	<u>(92,380)</u>	(89,127)

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

Repayment of Debt - Lease		<u>1,458</u>
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Change in Net Position of Governmental Activities		<u>\$ 44,939</u>
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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, 2012

	<u>Agency Fund</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 30,466</u>
<u>Liabilities:</u>	
Due to Inmates	<u>\$ 30,466</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, 2012

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 position 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 contract payments and charges for services.

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 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. Restricted revenue includes billings for E-911 services.

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.

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 grants, entitlements, and donations. 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 is both restricted and unrestricted net position 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.

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.

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:

Assets	Years
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 position.

Vacation leave is earned as follows:

Years of Service	Hours per Month
0 through 48 Months	8
49 through 96 Months	10
97 through 180 Months	12
181 Months and Over	16

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 position. Bond premiums, discounts when applicable are amortized over the life of the bond on a straight-line basis. Bond issuance costs when applicable are recognized in the current period.

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 Position

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.

Fund Balance Spending Policy:

It is the policy of the Law Enforcement Center to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

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.

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	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; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes 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, 2012.

Restricted Fund Balances – consist of the following item at December 31, 2012:

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 Position:

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 position shown in the net position statement are due to restrictions in state law as to how E-911/Wireless funds are to be used.

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the entity's ongoing obligations.

Net investment in capital assets is reported for capital assets less accumulated depreciation. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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 2012 budgets on January 18, 2013 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Fund:</u>			
General Fund	\$3,268,970	\$(15,386)	\$3,253,584
Combined E911/Wireless	525,433	41,774	567,207

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.

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

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, 2012, the Law Enforcement Center's carrying amount of deposits was \$1,222,757 and the bank balances totaled \$1,241,151. Of the bank balances, \$658,052 was covered by Federal Depository Insurance. The remaining bank balances totaling \$583,099 were collateralized with securities held by the pledging financial institution's agent in the government's name. Certificates of deposit total \$319,323.

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:

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, 2012.

NOTE 5: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2012 and chargeable to appropriations for the years then ended, but paid subsequent to that date.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012:

Governmental Activities (FY2012):	Balance January 1	Increases	Transfers	Decreases	Balance December 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 87,447	\$ -	\$ -	\$ -	\$ 87,447
Construction In Progress	22,150	3,253	(25,403)	-	-
Total Capital Assets, Not Being Depreciated	\$ 109,597	\$ 3,253	\$(25,403)	\$ -	\$ 87,447
<i>Capital assets being depreciated:</i>					
Buildings	\$3,001,929	\$ -	\$ -	\$ -	\$3,001,929
Building Improvements	88,514	-	25,403	-	113,917
Vehicles	44,598	-	-	-	44,598
Office Equipment	7,290	-	-	-	7,290
Equipment	235,809	-	-	-	235,809
Total Capital Assets, Being Depreciated	\$3,378,140	\$ -	\$ 25,403	\$ -	\$3,403,543
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 936,442	\$ 60,038	\$ -	\$ -	\$ 996,480
Building Improvements	4,426	6,966	-	-	11,392
Vehicles	32,858	6,460	-	-	39,318
Office Equipment	2,916	17,457	-	-	20,373
Equipment	105,706	1,459	-	-	107,165
Total Accumulated Depreciation	\$1,082,348	\$ 92,380	\$ -	\$ -	\$1,174,728
Total Capital Assets Being Depreciated, Net	\$2,295,792	\$(92,380)	\$ 25,403	\$ -	\$2,228,815
Governmental Activities - Capital Assets, Net	\$2,405,389	\$(89,127)	\$ -	\$ -	\$2,316,262

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

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

Governmental Activities:	Buildings	Building Imp.	Vehicles	Equip.	Office Equip.	Total
Public Safety	\$60,039	\$6,966	\$6,460	\$17,457	\$1,458	\$92,380

NOTE 7: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Leases Payable	\$ 5,832	\$ -	\$1,458	\$ 4,374	\$ 1,537
Compensated Absences Payable	101,256	13,582	-	114,838	22,967
TOTAL	\$107,088	\$13,582	\$1,458	\$119,212	\$24,504

* - 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.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, were as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Capital Lease	
	Principal	Interest
2013	\$1,458	\$ 545
2014	1,458	545
2015	1,458	546
TOTALS	\$4,374	\$1,636

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 (NDRF), 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 NDRF for its general liability. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability.

LAKE REGION LAW ENFORCEMENT CENTER

Notes to the Financial Statements - Continued

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% of their gross salary up to IRS allowed maximums, 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, 2012, 2011, and 2010 were \$38,599, \$41,562, and \$35,489 respectively, equal to the required contributions for the year.

LAKE REGION LAW ENFORCEMENT CENTER
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Rent	\$ 44,260	\$ 44,260	\$ 44,260	\$ -
County Assessments	93,927	93,927	93,927	-
Contract Payments	2,059,996	2,323,587	2,287,096	(36,491)
RRC	555,500	490,387	493,773	3,386
Reimbursements	542,288	340,493	375,852	35,359
Interest	1,750	3,442	3,442	-
Other	107,100	102,193	66,834	(35,359)
Total Revenues	\$ 3,404,821	\$ 3,398,289	\$ 3,365,184	\$ (33,105)
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 3,223,970	\$ 3,253,584	\$ 3,207,745	\$ 45,839
Capital Outlay	45,000	-	-	-
Debt Service:				
Principal	-	-	1,458	(1,458)
Interest	-	-	545	(545)
Total Expenditures	\$ 3,268,970	\$ 3,253,584	\$ 3,209,748	\$ 43,836
Excess (Deficiency) of Revenues Over Expenditures	\$ 135,851	\$ 144,705	\$ 155,436	\$ 10,731
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 89	\$ 89
Net Change in Fund Balances	\$ 135,851	\$ 144,705	\$ 155,525	\$ 10,820
Fund Balance - January 1	\$ 1,171,221	\$ 1,171,221	\$ 1,171,221	\$ -
Fund Balance - December 31	\$ 1,307,072	\$ 1,315,926	\$ 1,326,746	\$ 10,820

LAKE REGION LAW ENFORCEMENT CENTER
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
COMBINED E-911/WIRELESS FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
911 Assessments	\$ 504,350	\$ 504,350	\$ 558,881	\$ 54,531
<u>Expenditures:</u>				
Current:				
Public Safety	\$ 525,433	\$ 567,207	\$ 568,084	\$ (877)
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,083)	\$ (62,857)	\$ (9,203)	\$ 53,654
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (89)	\$ (89)
Net Change in Fund Balances	\$ (21,083)	\$ (62,857)	\$ (9,292)	\$ 53,565
Fund Balance - January 1	\$ 226,822	\$ 226,822	\$ 226,822	\$ -
Fund Balance - December 31	\$ 205,739	\$ 163,965	\$ 217,530	\$ 53,565

STATE AUDITOR

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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 in accordance with the 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, the financial statements of the governmental activities, and each major fund of Lake Region Law Enforcement Center as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Lake Region Law Enforcement Center's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Region Law Enforcement Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Region Law Enforcement Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Region Law Enforcement Center's internal control.

Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs* we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2012-01].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a significant deficiency [2012-02].

LAKE REGION LAW ENFORCEMENT CENTER

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Region 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*.

Lake Region Law Enforcement Center's Response to Findings

Lake Region Law Enforcement Center's response to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. Lake Region Law Enforcement Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson
State Auditor

Fargo, North Dakota
December 18, 2013

LAKE REGION LAW ENFORCEMENT CENTER
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?			
Governmental Activities		Unmodified	
Major Funds		Unmodified	
<u>Internal control over financial reporting:</u>			
Material weaknesses identified?	<u> X </u>	Yes	<u> </u> None noted
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> None noted
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> None noted

Section II - Financial Statement Findings

2012-01 – Overstated Revenue and Expenditures
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Condition:

Per review of the statement of revenues, expenditures, and changes in fund balances for the general fund, there were transfers between bank accounts shown as uncategorized income of \$1,361,904 and uncategorized expenditures of \$1,363,027.

Effect:

Revenue and expenditures were overstated by uncategorized income of \$1,361,904 and uncategorized expenditures of \$1,363,027.

Criteria:

Revenues, operating expenditures, and interfund operating and residual equity transfers are the result of transactions or events that affect financial resources. Governmental fund revenues can be from exchange transactions (charges for services, investment income, etc.) or from non-exchange transactions (taxes, fees, permits, etc.). Governmental fund expenditures include operating, capital, and debt service expenditures (GASB Statement No.11).

Transfers between bank accounts does not affect income or expenditures as there is no increase or decrease in expenditures, revenues, assets or liabilities.

Recommendation:

We recommend that the Finance Administrator refrain from charging expenditures and recording revenue when transfers need to be made between bank accounts to avoid overstating both expenditures and revenue. Cash or investment movements between bank accounts or within the same account should be recorded using only asset accounts and/or transfers.

Client Response:

After discussion with the Auditor's on this recommendation, we are adjusting the categorization to accurately transfer funds between accounts while maintaining accurate profit/loss statements for salary, taxes and benefits.

2012-02 - SEGREGATION OF DUTIES
--

Condition:

The Law Enforcement Center has one secretary and one director responsible for the primary accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the law enforcement center.

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Law Enforcement Center's financial condition, whether due to error or fraud.

Recommendation:

Due to the size, complexity and the economic realities of the Law Enforcement Center, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Client Response:

The Board of the Lake Region Law Enforcement Center has been aware of this deficiency for several years; however, as noted in the recommendation, due to our size desired segregation is not possible. However, we have added a part time bookkeeping assistant to our staff which should help with the segregation to a small degree. With the addition of the proposed Reentry facility, the part time position will more than likely become full time with more bookkeeping tasks being assigned to the position which should make for one more level of segregation. We will continue to review this issue to ensure as much segregation as possible.