



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Lake Region Law Enforcement Center

Devils Lake, North Dakota

Audit Report for the Year Ended December 31, 2019

*Client Code: PS36102*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# LAKE REGION LAW ENFORCEMENT CENTER

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For the Year Ended December 31, 2019

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# **LAKE REGION LAW ENFORCEMENT CENTER**

Law Enforcement Officials and Audit Personnel

December 31, 2019

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## **LAW ENFORCEMENT CENTER OFFICIALS**

Ed Brown	Chairman – LEC – Ramsey County Commission Representative
Dale Robbins	Chairman – 911 – City of Devils Lake Representative
Nancy Marquart	Commissioner – Nelson County Commission Representative
Shane Hamre	Commissioner – City of Devils Lake Representative
Dave Gehrtz	Commissioner – Eddy County Commission Representative
Michael Steffan	Commissioner – Benson County Commission Representative
Kenneth Teubner	Commissioner – Towner County Commission Representative
Mark Olson	Commissioner – Ramsey Count Commission Representative
Rob Johnson	Operation Director
Peggy Hoel	Finance Administrator

## **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Michael Scherr	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of Law Enforcement Center Commissioners  
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, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Region Law Enforcement Center, Devils Lake, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lake Region 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, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Region Law Enforcement Center, Devils Lake, North Dakota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information and the notes to the required supplementary information* as listed in the table of contents 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.

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2020 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* in considering Lake Region Law Enforcement Center's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 21, 2020

# LAKE REGION LAW ENFORCEMENT CENTER

Statement of Net Position

December 31, 2019

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	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 197,145	\$ 113,478	\$ 310,623
Accounts Receivable	22,729	184,803	207,532
Capital Assets			
Nondepreciable	-	159,703	159,703
Depreciable, Net	107,945	2,588,770	2,696,715
Total Assets	<u>\$ 327,819</u>	<u>\$ 3,046,754</u>	<u>\$ 3,374,573</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 11,787	\$ 60,636	\$ 72,423
Interest Payable	5,786	-	5,786
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	50,107	1,764	51,871
Compensated Absences Payable	1,954	25,277	27,231
Due Outside One Year			
Long-Term Debt	183,893	-	183,893
Compensated Absences Payable	7,817	101,107	108,924
Total Liabilities	<u>\$ 261,344</u>	<u>\$ 188,784</u>	<u>\$ 450,128</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ (126,055)	\$ 2,645,602	\$ 2,519,547
Restricted for			
Public Safety	192,530	-	192,530
Unrestricted	-	212,368	212,368
Total Net Position	<u>\$ 66,475</u>	<u>\$ 2,857,970</u>	<u>\$ 2,924,445</u>

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

# LAKE REGION LAW ENFORCEMENT CENTER

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
Public Safety	\$ 669,134	\$ 577,649	\$ 541,441	\$ 449,956	\$ -	\$ 449,956
<b>Business-Type Activities</b>						
Law Enforcement Center	\$ 3,229,265	\$ 2,713,129	\$ -	\$ -	\$ (516,136)	\$ (516,136)
Residential Reentry Center	528,377	601,460	-	-	73,083	73,083
Total Business Type Activities	\$ 3,757,642	\$ 3,314,589	\$ -	\$ -	\$ (443,053)	(443,053)
Total Primary Government	\$ 4,426,776	\$ 3,892,238	\$ 541,441	\$ 449,956	\$ (443,053)	\$ 6,903
<b>General Revenues</b>						
Interest Income				\$ 508	\$ 467	\$ 975
Transfers of Capital Assets				(824,315)	824,315	-
Miscellaneous Revenue				36,128	108,601	144,729
Total General Revenues				\$ (787,679)	\$ 933,383	\$ 145,704
Change in Net Position				\$ (337,723)	\$ 490,330	\$ 152,607
Net Position - January 1				\$ 404,198	\$ 2,367,640	\$ 2,771,838
Net Position - December 31				\$ 66,475	\$ 2,857,970	\$ 2,924,445

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

# LAKE REGION LAW ENFORCEMENT CENTER

Balance Sheet – Governmental Fund

December 31, 2019

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	E-911 Fund	Capital Project Fund	Total
<b>ASSETS</b>			
Cash	\$ 169,234	\$ 27,911	\$ 197,145
Accounts Receivable	<u>13,921</u>	<u>8,808</u>	<u>22,729</u>
Total Assets	<u>\$ 183,155</u>	<u>\$ 36,719</u>	<u>\$ 219,874</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>\$ 11,787</u>	<u>\$ -</u>	<u>\$ 11,787</u>
<b>FUND BALANCES</b>			
Restricted For Public Safety	<u>\$ 171,368</u>	<u>\$ 36,719</u>	<u>\$ 208,087</u>
Total Fund Balances	<u>\$ 171,368</u>	<u>\$ 36,719</u>	<u>\$ 208,087</u>
Total Liabilities and Fund Balances	<u>\$ 183,155</u>	<u>\$ 36,719</u>	<u>\$ 219,874</u>

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



**LAKE REGION LAW ENFORCEMENT CENTER**

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position  
December 31, 2019

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**Total Fund Balance for Governmental Fund** \$ 208,087

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. 107,945

Long-term liabilities 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.

Long-Term Debt	(234,000)	
Interest Payable	(5,786)	
Compensated Absences	<u>(9,771)</u>	<u>(249,557)</u>

**Total Net Position of Governmental Activities** \$ 66,475

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

# LAKE REGION LAW ENFORCEMENT CENTER

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund  
For the Year Ended December 31, 2019

	E-911 Fund	Capital Projects Fund	Total
<b>REVENUES</b>			
911 Assessments	\$ 577,649	\$ -	\$ 577,649
Intergovernmental Revenue	-	541,441	541,441
Interest	508	-	508
Miscellaneous Income	-	36,128	36,128
Total Revenues	<u>\$ 578,157</u>	<u>\$ 577,569</u>	<u>\$ 1,155,726</u>
<b>EXPENDITURES</b>			
Current			
Public Safety	\$ 704,863	\$ 774,850	\$ 1,479,713
Debt Service:			
Principal	-	27,320	27,320
Total Expenditures	<u>\$ 704,863</u>	<u>\$ 802,170</u>	<u>\$ 1,507,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (126,706)</u>	<u>\$ (224,601)</u>	<u>\$ (351,307)</u>
<b>Other Financing Sources (Uses):</b>			
Loan Proceeds	<u>\$ -</u>	<u>\$ 261,320</u>	<u>\$ 261,320</u>
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ 261,320</u>	<u>\$ 261,320</u>
Net Change in Fund Balances	<u>\$ (126,706)</u>	<u>\$ 36,719</u>	<u>\$ (89,987)</u>
Fund Balance - January 1	<u>\$ 298,074</u>	<u>\$ -</u>	<u>\$ 298,074</u>
Fund Balance - December 31	<u><u>\$ 171,368</u></u>	<u><u>\$ 36,719</u></u>	<u><u>\$ 208,087</u></u>

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

# LAKE REGION LAW ENFORCEMENT CENTER

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund  
to the Statement of Activities  
For the Year Ended December 31, 2019

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**Net Change in *Fund Balance* - Total Governmental Fund** \$ (89,987)

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	(1,351)	
Net Increase in Interest Payable	<u>(5,786)</u>	<u>(7,137)</u>

Governmental funds report capital outlays as expenditures. However, in the statement activities, the cost of those assets is allocated over their estimated useful lives and as depreciation expense.

Depreciation Expense		(6,599)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Issuance of debt is an other financing source in the Governmental Funds which increases the long term liabilities in the Statement of Net Position. This is the amount of debt issuance and debt repayment.

Debt Issuance	(261,320)	
Repayment of Debt	<u>27,320</u>	<u>(234,000)</u>

**Change in Net Position of Governmental Activities** \$ (337,723)

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

# LAKE REGION LAW ENFORCEMENT CENTER

Statement of Net Position— Proprietary Fund

December 31, 2019

	Business-Type Activities		
	Law Enforcement	Re-Entry	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 49,675	\$ 63,803	\$ 113,478
Accounts Receivable	130,500	54,303	184,803
Total Current Assets	\$ 180,175	\$ 118,106	\$ 298,281
Noncurrent Assets			
Capital Assets			
Nondepreciable	\$ 159,703	\$ -	\$ 159,703
Depreciable, Net	2,588,770	-	2,588,770
Total Noncurrent Assets	\$ 2,748,473	\$ -	\$ 2,748,473
Total Assets	\$ 2,928,648	\$ 118,106	\$ 3,046,754
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 46,908	\$ 13,728	\$ 60,636
Long-Term Debt	1,764	-	1,764
Compensated Absences Payable	25,277	-	25,277
Total Current Liabilities	\$ 73,949	\$ 13,728	\$ 87,677
Noncurrent Liabilities			
Compensated Absences Payable	\$ 101,107	\$ -	\$ 101,107
Total Noncurrent Liabilities	\$ 101,107	\$ -	\$ 101,107
Total Liabilities	\$ 175,056	\$ 13,728	\$ 188,784
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 2,645,602	\$ -	\$ 2,645,602
Unrestricted	107,990	104,378	212,368
Total Net Position	\$ 2,753,592	\$ 104,378	\$ 2,857,970

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

# LAKE REGION LAW ENFORCEMENT CENTER

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Year Ended December 31, 2019

	Business-Type Activities		
	Law Enforcement	Re Entry	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 2,713,129	\$ 601,460	\$ 3,314,589
<b>OPERATING EXPENSES</b>			
Group Insurance Benefits	\$ 357,871	\$ 91,762	\$ 449,633
Retirement	22,129	4,769	26,898
Payroll	1,457,279	314,698	1,771,977
Utilities	99,609	13,597	113,206
Medical	10,978	8,288	19,266
Phone	15,982	-	15,982
Reimbursed Medical	12,324	-	12,324
Kitchen & Laundry	252,085	63,394	315,479
Supplies	9,737	10,716	20,453
Professional Fees	11,743	-	11,743
Insurance	35,906	-	35,906
Training	10,917	-	10,917
Other Operating Expenses	67,991	6,661	74,652
Capital/Maintenance	83,782	5,264	89,046
Vehicle Expense	7,705	-	7,705
Reimbursable Expenses	618,251	-	618,251
Uncategorized Expense	40	-	40
Copier Lease	2,608	-	2,608
Depreciation	152,328	-	152,328
Total Operating Expenses	\$ 3,229,265	\$ 519,149	\$ 3,748,414
Operating Income (Loss)	\$ (516,136)	\$ 82,311	\$ (433,825)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	\$ 467	\$ -	\$ 467
Rent Income	77,828	-	77,828
Reimbursement	2,073	-	2,073
SCRAM/Monitoring Revenue (RRC)	-	28,700	28,700
SCRAM/Monitoring Expenses (RRC)	-	(9,229)	(9,229)
Total Non-Operating Revenues (Expenses)	\$ 80,368	\$ 19,472	\$ 99,840
Income (Loss) Before Transfers	\$ (435,768)	\$ 101,783	\$ (333,985)
Transfers In	\$ 90,000	\$ -	\$ 90,000
Capital Asset Transfer In	824,315	-	824,315
Transfers Out	-	(90,000)	(90,000)
Change in Net Position	\$ 478,547	\$ 11,783	\$ 490,330
Net Position - January 1	\$ 2,367,640	\$ -	\$ 2,367,640
Prior Period Adjustment	(92,595)	92,595	-
Net Position - January 1, as restated	\$ 2,275,045	\$ 92,595	\$ 2,367,640
Net Position - December 31	\$ 2,753,592	\$ 104,378	\$ 2,857,970

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

# LAKE REGION LAW ENFORCEMENT CENTER

Statement of Cash Flows— Proprietary Fund

For the Year Ended December 31, 2019

	Business-Type Activities		
	Law Enforcement	Re Entry	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from Customers	\$ 2,692,617	\$ 578,905	\$ 3,271,522
Payments to Suppliers for Goods and Services	(1,192,750)	(94,192)	(1,286,942)
Payments to Employees	(1,779,593)	(411,229)	(2,190,822)
Net Cash Used by Operating Activities	\$ (279,726)	\$ 73,484	\$ (206,242)
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers In	\$ 90,000	\$ -	\$ 90,000
Transfers Out	-	(90,000)	(90,000)
Other Non-Operating Expenses	-	(9,229)	(9,229)
Other Non-Operating Proceeds	79,901	28,700	108,601
Net Cash Provided by Non-capital Financing Activities	\$ 169,901	\$ (70,529)	\$ 99,372
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	\$ (8,913)	\$ -	\$ (8,913)
Principal Paid on Loan	(2,352)	-	(2,352)
Net Cash Used by Capital and Related Financing Activities	\$ (11,265)	\$ -	\$ (11,265)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	\$ 467	\$ -	\$ 467
Net Cash Provided by Investing Activities	\$ 467	\$ -	\$ 467
Net Decrease in Cash and Cash Equivalents	\$ (120,623)	\$ 2,955	\$ (117,668)
Cash and Cash Equivalents - January 1	\$ 170,298	\$ 60,848	\$ 231,146
Cash and Cash Equivalents - December 31	\$ 49,675	\$ 63,803	\$ 113,478
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (516,136)	\$ 82,311	\$ (433,825)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Depreciation	\$ 152,328	\$ -	\$ 152,328
Change in Assets and Liabilities			
Accounts Receivable	(20,512)	(22,555)	(43,067)
Accounts Payable	46,908	13,728	60,636
Compensated Absences	57,686	-	57,686
Total Adjustments	\$ 236,410	\$ (8,827)	\$ 227,583
Net Cash Used by Operating Activities	\$ (279,726)	\$ 73,484	\$ (206,242)

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

**LAKE REGION LAW ENFORCEMENT CENTER**

Statement of Fiduciary Assets and Liabilities – Agency Fund

December 31, 2019

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ 56,025</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 8,808
Due to Inmates	<u>47,217</u>
Total Liabilities	<u>\$ 56,025</u>

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

# LAKE REGION LAW ENFORCEMENT CENTER

Notes to the Financial Statements  
For the Year Ended December 31, 2019

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake Region Law Enforcement Center ("LEC"), 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.

### Reporting Entity

The accompanying financial statements present the activities of the LEC. The LEC 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 LEC 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 LEC

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the LEC (the primary government), as there are no component units. The LEC is a joint venture of Benson, Eddy, Nelson, Ramsey and Towner Counties and the City of Devils Lake formed under the provisions of North Dakota Century Code Chapter 12-44.1.

### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the primary government, the LEC. These statements include the financial activities of the overall government, except for fiduciary activities. 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 LEC'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, interest, and non-restricted grants and contributions, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the LEC's funds, including its fiduciary funds. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column.

The Law Enforcement Center reports the following major governmental funds:

*E-911 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.

*Capital Projects Fund.* This fund accounts for activity of a capital asset project and also activity for a loan that was used to pay for the capital project.

The Law Enforcement Center reports the following major business-type funds:

*Law Enforcement Center.* This is the center's primary operating fund. It accounts for all financial resources of the law enforcement enterprise, except those required to be accounted for in another fund.



*Reentry Center Fund.* This is the Residential Reentry Center Fund. It accounts for the financial resources of the law enforcement’s Reentry activity.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide, Proprietary Fund & Fiduciary Fund Financial Statements.* The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and agency fund 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 LEC 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 LEC 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, LEC 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 LEC’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

**Deposits and Investments**

Cash and cash equivalents include amounts in demand deposits and money market accounts.

**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>
Buildings	50
Office Equipment	3 - 5
Equipment	5 - 15
Vehicles	5

**Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 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:

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

**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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Balances**

*Fund Balance Spending Policy.* It is the policy of the LEC 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.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

**Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

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

Unrestricted net position is primarily unrestricted amounts related to the LEC enterprise fund. The unrestricted net position is available to meet the entity’s ongoing obligations.

**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.

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

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

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

Beginning net position adjustments were necessary for breaking out the Residential Reentry Center Fund from the primary Law Enforcement Fund.

Adjustments to beginning net position are as follows:

<b>Business Type Activities - Law Enforcement Center</b>	<b>Amounts</b>
<b>Beginning Net Position, as Previously Reported</b>	\$ 2,367,640
Adjustments to restate the January 1, 2019 Net Position Removing Reentry Center	(92,595)
<b>Net Position January 1, as restated</b>	<b>\$ 2,275,045</b>

<b>Business Type Activities - Reentry Center</b>	<b>Amounts</b>
<b>Beginning Net Position, as Previously Reported</b>	\$ -
Adjustments to restate the January 1, 2019 Net Position Setup of Reentry Center Fund	92,595
<b>Net Position January 1, as restated</b>	<b>\$ 92,595</b>

**NOTE 3 DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the LEC would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The LEC does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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 county, city, township, school district, park district, 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 another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2019, the LEC’s carrying amount of deposits totaled \$366,159 and the bank balances totaled \$424,813. Of the bank balances, all of the \$424,813 was covered by Federal Depository Insurance.

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

**NOTE 4 CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of changes in capital assets for the year ended December 31, 2019:

<b>Governmental Activities</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers to Enterprise Activities</b>	<b>Balance December 31</b>
Capital Assets Being Depreciated					
Equipment	\$ 190,254	\$ 824,315	\$ -	\$ (824,315)	\$ 190,254
Less Accumulated Depreciation					
Equipment	\$ 75,710	\$ 6,599	\$ -	\$ -	\$ 82,309
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 114,544</b>	<b>\$ 817,716</b>	<b>\$ -</b>	<b>\$ (824,315)</b>	<b>\$ 107,945</b>

Depreciation expense for governmental activities was charged to the public safety function.

**Business-Type Activities**

The following is a summary of changes in capital assets for the year ended December 31, 2019:

<b>Law Enforcement Center Fund</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers from Governmental Activities</b>	<b>Balance December 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 159,703	\$ -	\$ -	\$ -	\$ 159,703
Capital Assets Being Depreciated					
Buildings	\$ 2,973,928	\$ -	\$ -	\$ -	\$ 2,973,928
Building Improvements	306,473	-	-	-	306,473
Vehicles	33,300	-	-	-	33,300
Equipment	271,684	8,913	20,472	824,315	1,084,440
Office Equipment	10,514	-	-	-	10,514
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,595,899</b>	<b>\$ 8,913</b>	<b>\$ 20,472</b>	<b>\$ 824,315</b>	<b>\$ 4,408,655</b>
Less Accumulated Depreciation					
Buildings	\$ 1,343,831	\$ 59,478	\$ -	\$ -	\$ 1,403,309
Building Improvements	82,071	16,594	-	-	98,665
Vehicles	31,740	1,560	-	-	33,300
Equipment	221,976	72,593	20,472	-	274,097
Office Equipment	8,411	2,103	-	-	10,514
<b>Total Accumulated Depreciation</b>	<b>\$ 1,688,029</b>	<b>\$ 152,328</b>	<b>\$ 20,472</b>	<b>\$ -</b>	<b>\$ 1,819,885</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,907,870</b>	<b>\$ (143,415)</b>	<b>\$ -</b>	<b>\$ 824,315</b>	<b>\$ 2,588,770</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 2,067,573</b>	<b>\$ (143,415)</b>	<b>\$ -</b>	<b>\$ 824,315</b>	<b>\$ 2,748,473</b>

Depreciation expense for the business-type activity was charged as an operating expense to the law enforcement center fund and activity.

**NOTE 5 LONG-TERM LIABILITIES**

**Governmental Activities**

During the year ended December 31, 2019, the following changes occurred in governmental activities long-term liabilities:

<b>Governmental Activities</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Loan Payable	\$ -	\$ 261,320	\$ 27,320	\$ 234,000	\$ 50,107
Compensated Absences Payable *	\$ 8,420	\$ 1,351	\$ -	\$ 9,771	\$ 1,954
<b>Total Long-Term Liabilities</b>	<b>\$ 8,420</b>	<b>\$ 262,671</b>	<b>\$ 27,320</b>	<b>\$ 243,771</b>	<b>\$ 52,061</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.

**Business-Type Activities**

During the year ended December 31, 2019, the following changes occurred in business-type activities long-term liabilities:

<b>Law Enforcement Center Fund</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Leases Payable	\$ 4,116	\$ -	\$ 2,352	\$ 1,764	\$ 1,764
Compensated Absences Payable *	\$ 68,698	\$ 57,686	\$ -	\$ 126,384	\$ 25,277
<b>Total Long-Term Liabilities</b>	<b>\$ 72,814</b>	<b>\$ 57,686</b>	<b>\$ 2,352</b>	<b>\$ 128,148</b>	<b>\$ 27,041</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.

Debt service requirements on long-term debt is as follows:

<b>Governmental Activities</b>		
<b>Year Ending December 31</b>	<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2020	50,107	6,943
2021	51,533	5,517
2022	53,079	3,971
2023	54,671	2,378
2024	24,610	738
<b>Total</b>	<b>\$ 234,000</b>	<b>\$ 19,547</b>

<b>Business-Type Activities</b>		
<b>Year Ending December 31</b>	<b>Capital Lease</b>	
	<b>Principal</b>	<b>Interest</b>
2020	1,764	-
<b>Total</b>	<b>\$ 1,764</b>	<b>\$ -</b>

**NOTE 6 RISK MANAGEMENT**

The LEC 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 (NDIRF), 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 LEC pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile insurance coverage.

The LEC also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The LEC 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 LEC with blanket fidelity bond coverage in the amount of \$1,026,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Law Enforcement Center has worker's 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 7 RETIREMENT PLAN**

The LEC 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 LEC will match up to 5%. The LEC's contributions to Nationwide Retirement Solutions for the years ending December 31, 2019, 2018, and 2017 were \$36,946, \$36,957, and \$37,395 respectively, equal to the required contributions for the year.

# LAKE REGION LAW ENFORCEMENT CENTER

Budgetary Comparison Schedule – E-911 Fund  
For the Year Ended December 31, 2019

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
911 Assessments	\$ 597,985	\$ 600,279	\$ 577,649	\$ (22,630)
Interest	417	506	508	2
Miscellaneous Income	500	50,000	-	(50,000)
Total Revenues	<u>\$ 598,902</u>	<u>\$ 650,785</u>	<u>\$ 578,157</u>	<u>\$ (72,628)</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>\$ 747,467</u>	<u>\$ 856,817</u>	<u>\$ 704,863</u>	<u>\$ 151,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (148,565)</u>	<u>\$ (206,032)</u>	<u>\$ (126,706)</u>	<u>\$ 79,326</u>
Fund Balance - January 1	<u>\$ 298,074</u>	<u>\$ 298,074</u>	<u>\$ 298,074</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 149,509</u></u>	<u><u>\$ 92,042</u></u>	<u><u>\$ 171,368</u></u>	<u><u>\$ 79,326</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

# LAKE REGION LAW ENFORCEMENT CENTER

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2019

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## NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

- The law enforcement center adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the E-911 fund.
- The budget includes proposed expenditures and means of financing them.
- The budget is controlled by the operations coordinator at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

## NOTE 2 LEGAL COMPLIANCE – BUDGETS

### Budgetary Amendments

The LEC amended the 2019 budget as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Major Fund E911 Fund	\$ 747,467	\$ 109,350	\$ 856,817



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## 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*

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### Independent Auditor's Report

Board of Law Enforcement Center Commissioners  
Lake Region Law Enforcement Center  
Devils Lake, North Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Region Law Enforcement Center as of and for the year ended December 31, 2019, 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 July 21, 2020.

### **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 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 have not been identified. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying *schedule of audit findings* as items 2019-001 and 2019-002 to be material weaknesses.

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 deficiencies described in the accompanying *schedule of audit findings* as item 2019-003 to be significant deficiencies.

**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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake Region Law Enforcement Center's financial statements are free from 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 is described in the accompanying *schedule of audit findings*. 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 results 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.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 21, 2020

# LAKE REGION LAW ENFORCEMENT CENTER

Summary of Auditor's Results  
For the Year Ended December 31, 2019

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## Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

## Internal control over financial reporting

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

# LAKE REGION LAW ENFORCEMENT CENTER

Schedule of Audit Findings

For the Year Ended December 31, 2019

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## 2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

### Condition

Lake Region Law Enforcement Center currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

### Criteria

Management of Lake Region Law Enforcement Center is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

### Cause

Management chose not to allocate Lake Region Law Enforcement Center resources for preparation of the financial statement note disclosures.

### Effect

There is an increased risk of material misstatement to the Lake Region Law Enforcement Center's financial statements.

### Prior Recommendation

Yes.

### Recommendation

We recommend Lake Region Law Enforcement Center consider the additional risk of having the auditors assist in the preparation of the financial statement note disclosures and consider preparing them in the future.

### Lake Region Law Enforcement Center's Response

Agree. Lake Region Law Enforcement Center is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statement note disclosures in the future.

**2019-002 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

Lake Region Law Enforcement Center has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

**Criteria**

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates 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 Lake Region Law Enforcement Center.

**Cause**

Management has chosen to allocate its economic resources to other functions of Lake Region Law Enforcement Center.

**Effect**

Limited segregation of duties exposes the Lake Region Law Enforcement Center to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

**Prior Recommendation**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**Lake Region Law Enforcement Center's Response**

Agree. The Lake Region Law Enforcement Center agrees and will segregate duties as it becomes feasible.

**2019-003 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY**

**Condition**

Lake Region Law Enforcement Center does not currently prepare a fraud risk assessment of the entire entity.

**Effect**

If Lake Region Law Enforcement Center does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

Lake Region Law Enforcement Center has limited amount of staff and decided it was not necessary to implement at this date.

**Criteria**

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend Lake Region Law Enforcement Center prepare a fraud risk assessment in order to identify areas of concern within entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

**Lake Region Law Enforcement Center’s Response**

Agree, The Lake Region Law Enforcement Center will consider preparing a fraud risk assessment in the future.

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## GOVERNANCE COMMUNICATION

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Board of Law Enforcement Center Commissioners  
Lake Region Law Enforcement Center  
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Region Law Enforcement Center, North Dakota, for the year ended December 31, 2019 which collectively comprise Lake Region Law Enforcement Center's basic financial statements, and have issued our report thereon dated July 21, 2020. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated May 1, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Lake Region Law Enforcement Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

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 and other matters, 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.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Region Law Enforcement Center are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

2019 Adjustments	Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit
<b>Governmental Activities</b>				
<u>To Adjust Receivables - 911 Fund</u>				
Accounts Receivable	13,921	-	13,921	-
Revenue	-	13,921	-	13,921
<u>To Adjust Payables - 911 Fund</u>				
Expenditures	11,786	-	11,786	-
Accounts Payable	-	11,786	-	11,786
<u>To Adjust Receivables - Capital Projects Fund</u>				
Accounts Receivable	8,808	-	8,808	-
Revenue	-	8,808	-	8,808
<u>To Remove Misc. Revenue and Transfer related to closing of CD</u>				
Revenue	50,000	-	50,000	-
Other Financing Sources	-	50,000	-	50,000
<b>Business-Type Activities</b>				
<u>To Adjust Receivables - LEC Fund</u>				
Accounts Receivable	130,500	-	130,500	-
Revenue	-	130,500	-	130,500
<u>To Adjust Payables - LEC Fund</u>				
Expenditures	46,908	-	46,908	-
Accounts Payable	-	46,908	-	46,908
<u>To Adjust Receivables - RRC Fund</u>				
Accounts Receivable	54,302	-	54,302	-
Revenue	-	54,302	-	54,302
<u>To Adjust Payables - RRC Fund</u>				
Expenditures	13,728	-	13,728	-
Accounts Payable	-	13,728	-	13,728
<u>To Record Prior Period Adjustment to Remove RRC from LEC Fund</u>				
Fund Balance	92,595	-	92,595	-
Cash	-	92,595	-	92,595
<u>To Record Prior Period Adjustment to Set Up RRC Fund</u>				
Cash	92,595	-	92,595	-
Fund Balance	-	92,595	-	92,595



**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 21, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Lake Region Law Enforcement Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Commissioners and management of Lake Region Law Enforcement Center, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Lake Region Law Enforcement Center for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Lake Region Law Enforcement Center.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 21, 2020



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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