



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, 2021

Client Code: PS36102



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Office of the
State Auditor

LAKE REGION LAW ENFORCEMENT CENTER

Table of Contents

For the Year Ended December 31, 2021

Law Enforcement Officials	1
Independent Auditor’s Report	2
Basic Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet - Governmental Funds.....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
Statement of Net Position – Proprietary Fund	11
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	12
Statement of Cash Flows – Proprietary Fund.....	13
Statement of Fiduciary Net Position - Fiduciary Funds	14
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	15
Notes to the Financial Statements.....	16
Required Supplementary Information	
Budgetary Comparison Schedules	23
Notes to the Required Supplementary Information	24
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.....	25
Summary of Auditor’s Results.....	27
Schedule of Audit Findings	28
Governance Communication	32

LAKE REGION LAW ENFORCEMENT CENTER

Law Enforcement Officials

December 31, 2021

LAW ENFORCEMENT CENTER OFFICIALS

Ed Brown	Chairman - LEC, Ramsey County Commission Representative
Dale Robbins	Chairman - E-911, City of Devils Lake Representative
Nancy Marquart	Commissioner, Nelson County Commission Representative
Shane Hamre	Commissioner, City of Devils Lake Representative
David Gertz	Commissioner, Eddy County Commission Representative
Michael Steffan	Commissioner, Benson County Commission Representative
Jeff Frith	Commissioner, Ramsey County Commission Representative
Rob Johnson	Director
Peggy Hoel	Finance Administrator

STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Region Law Enforcement Center, Devils Lake, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Lake Region Law Enforcement Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the Lake Region Law Enforcement Center, Devils Lake, North Dakota as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Region Law Enforcement Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Region Law Enforcement Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lake Region Law Enforcement Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lake Region Law Enforcement Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules* and *notes to the required supplementary information* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 State 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 operation, 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 GAS, we have also issued our report dated November 3, 2022 on our consideration of Lake Region Law Enforcement Center's internal control over financial reporting and on our test 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 GAS in considering Lake Region Law Enforcement Center's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 3, 2022

LAKE REGION LAW ENFORCEMENT CENTER

Statement of Net Position

December 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 129,799	\$ 828,796	\$ 958,595
Accounts Receivable	38,402	177,772	216,174
Capital Assets			
Nondepreciable	359,823	159,703	519,526
Depreciable, Net	-	2,323,637	2,323,637
Total Assets	<u>\$ 528,024</u>	<u>\$ 3,489,908</u>	<u>\$ 4,017,932</u>
LIABILITIES			
Accounts Payable	\$ 20,439	\$ 51,413	\$ 71,852
Salaries Payable	15,989	98,383	114,372
Interest Payable	3,335	-	3,335
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	109,617	-	109,617
Compensated Absences Payable	7,389	21,397	28,786
Due Outside One Year			
Long-Term Debt	231,116	-	231,116
Compensated Absences Payable	29,554	85,589	115,143
Total Liabilities	<u>\$ 417,439</u>	<u>\$ 256,782</u>	<u>\$ 674,221</u>
NET POSITION			
Net Investment in Capital Assets	\$ 19,090	\$ 2,483,340	\$ 2,502,430
Restricted for			
Public Safety	91,495	-	91,495
Unrestricted	-	749,786	749,786
Total Net Position	<u>\$ 110,585</u>	<u>\$ 3,233,126</u>	<u>\$ 3,343,711</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, 2021

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	
Governmental Activities						
Public Safety	\$ 986,434	\$ 1,053,653	\$ 101,838	\$ 169,057	\$ -	\$ 169,057
Interest	5,166	-	-	(5,166)	-	(5,166)
Total Governmental Activities	\$ 991,600	\$ 1,053,653	\$ 101,838	\$ 163,891	\$ -	\$ 163,891
Business-Type Activities						
Law Enforcement Center	\$ 2,947,087	\$ 2,752,053	\$ -	\$ -	\$ (195,034)	\$ (195,034)
Residential Reentry Center	664,689	557,115	-	-	(107,574)	(107,574)
Jail Operating Account	91,024	-	-	-	(91,024)	(91,024)
Total Business Type Activities	\$ 3,702,800	\$ 3,309,168	\$ -	\$ -	\$ (393,632)	(393,632)
Total Primary Government	\$ 4,694,400	\$ 4,362,821	\$ 101,838	\$ 163,891	\$ (393,632)	\$ (229,741)
Interest Income				\$ 171	\$ 1,622	\$ 1,793
Phone Commission				-	69,500	69,500
Commissary Income				-	400	400
Bond Proceeds				-	61,447	61,447
Miscellaneous Revenue				5,094	103,646	108,740
Net Cash Transfers				-	72	72
Total General Revenues				\$ 5,265	\$ 236,687	\$ 241,952
Change in Net Position				\$ 169,156	\$ (156,945)	\$ 12,211
Net Position - January 1				\$ 42,776	\$ 3,445,679	\$ 3,488,455
Prior Period Adjustment				\$ (101,347)	\$ (55,608)	\$ (156,955)
Net Position - January 1, as restated				\$ (58,571)	\$ 3,390,071	\$ 3,331,500
Net Position - December 31				\$ 110,585	\$ 3,233,126	\$ 3,343,711

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

LAKE REGION LAW ENFORCEMENT CENTER

Balance Sheet – Governmental Fund

December 31, 2021

	E-911 Fund	Capital Project Fund	Total
ASSETS			
Cash	\$ 128,799	\$ 1,000	\$ 129,799
Accounts Receivable	38,402	-	38,402
Total Assets	<u>\$ 167,201</u>	<u>\$ 1,000</u>	<u>\$ 168,201</u>
LIABILITIES			
Accounts Payable	\$ 20,439	-	\$ 20,439
Salaries Payable	15,989	-	15,989
Total Liabilities	<u>\$ 36,428</u>	<u>\$ -</u>	<u>\$ 36,428</u>
FUND BALANCES			
Restricted For Public Safety	\$ 130,773	\$ 1,000	\$ 131,773
Total Fund Balances	<u>\$ 130,773</u>	<u>\$ 1,000</u>	<u>\$ 131,773</u>
Total Liabilities and Fund Balances	<u>\$ 167,201</u>	<u>\$ 1,000</u>	<u>\$ 168,201</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, 2021

Total Fund Balance for Governmental Fund \$ 131,773

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. 359,823

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	(340,733)	
Interest Payable	(3,335)	
Compensated Absences	<u>(36,943)</u>	<u>(381,011)</u>

Total Net Position of Governmental Activities \$ 110,585

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

LAKE REGION LAW ENFORCEMENT CENTERStatement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund
For the Year Ended December 31, 2021

	E-911 Fund	Capital Projects Fund	Total
REVENUES			
911 Assessments	\$ 968,881	\$ -	\$ 968,881
Intergovernmental Revenue	101,838	84,772	186,610
Interest	171	-	171
Miscellaneous Income	28	5,067	5,095
Total Revenues	<u>\$ 1,070,918</u>	<u>\$ 89,839</u>	<u>\$ 1,160,757</u>
EXPENDITURES			
Current			
Public Safety	\$ 1,341,772	\$ -	\$ 1,341,772
Debt Service:			
Principal	-	83,673	83,673
Interest	-	5,166	5,166
Total Expenditures	<u>\$ 1,341,772</u>	<u>\$ 88,839</u>	<u>\$ 1,430,611</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (270,854)</u>	<u>\$ 1,000</u>	<u>\$ (269,854)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	<u>\$ 270,512</u>	<u>\$ -</u>	<u>\$ 270,512</u>
Total Other Financing Sources and Uses	<u>\$ 270,512</u>	<u>\$ -</u>	<u>\$ 270,512</u>
Net Change in Fund Balances	<u>\$ (342)</u>	<u>\$ 1,000</u>	<u>\$ 658</u>
Fund Balance - January 1	<u>\$ 131,115</u>	<u>\$ -</u>	<u>\$ 131,115</u>
Fund Balance - December 31	<u><u>\$ 130,773</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 131,773</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, 2021

Net Change in Fund Balance - Total Governmental Fund \$ 658

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 Change in Compensated Absences	(5,747)	
Net Change in Interest Payable	<u>1,261</u>	(4,486)

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.

Capital Additions		359,823
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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	(270,512)	
Repayment of Debt	<u>83,673</u>	<u>(186,839)</u>

Change in Net Position of Governmental Activities \$ 169,156

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, 2021

	Business-Type Activities			Total
	Law Enforcement	Re-Entry	Jail Operating Account	
	Law Enforcement	Re-Entry	Jail Operating Account	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 595,790	\$ 113,353	\$ 119,653	\$ 828,796
Accounts Receivable	165,895	11,877	-	177,772
Total Current Assets	<u>\$ 761,685</u>	<u>\$ 125,230</u>	<u>\$ 119,653</u>	<u>\$ 1,006,568</u>
Noncurrent Assets				
Capital Assets				
Nondepreciable	\$ 159,703	\$ -	\$ -	\$ 159,703
Depreciable, Net	2,323,637	-	-	2,323,637
Total Noncurrent Assets	<u>\$ 2,483,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,483,340</u>
Total Assets	<u>\$ 3,245,025</u>	<u>\$ 125,230</u>	<u>\$ 119,653</u>	<u>\$ 3,489,908</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 46,213	\$ 5,200	\$ -	\$ 51,413
Salaries Payable	70,407	27,976	-	98,383
Compensated Absences Payable	17,679	3,718	-	21,397
Total Current Liabilities	<u>\$ 134,299</u>	<u>\$ 36,894</u>	<u>\$ -</u>	<u>\$ 171,193</u>
Noncurrent Liabilities				
Compensated Absences Payable	\$ 70,716	\$ 14,873	\$ -	\$ 85,589
Total Noncurrent Liabilities	<u>\$ 70,716</u>	<u>\$ 14,873</u>	<u>\$ -</u>	<u>\$ 85,589</u>
Total Liabilities	<u>\$ 205,015</u>	<u>\$ 51,767</u>	<u>\$ -</u>	<u>\$ 256,782</u>
NET POSITION				
Net Investment in Capital Assets	\$ 2,483,340	\$ -	\$ -	\$ 2,483,340
Unrestricted	556,670	73,463	119,653	749,786
Total Net Position	<u>\$ 3,040,010</u>	<u>\$ 73,463</u>	<u>\$ 119,653</u>	<u>\$ 3,233,126</u>

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, 2021

	Business-Type Activities			Total
	Law Enforcement	Re Entry	Jail Operating Account	
	Total	Total	Total	
OPERATING REVENUES				
Charges for Services	\$ 2,752,053	\$ 557,115	\$ -	\$ 3,309,168
Phone Commission	-	-	69,500	69,500
Commissary Income	-	-	400	400
Bonds Received	-	-	61,447	61,447
Total Operating Income	\$ 2,752,053	\$ 557,115	\$ 131,347	\$ 3,440,515
OPERATING EXPENSES				
Group Insurance Benefits	\$ 175,231	\$ 77,963	\$ -	\$ 253,194
Retirement	20,583	2,824	-	23,407
Payroll	1,506,236	395,492	11,490	1,913,218
Utilities	108,513	14,256	-	122,769
Medical	18,518	819	-	19,337
Phone	17,535	-	-	17,535
Reimbursed Medical	26,022	20,199	-	46,221
Kitchen & Laundry	368,006	87,272	-	455,278
Supplies	62,460	8,323	-	70,783
Professional Fees	24,312	-	-	24,312
Insurance	23,674	-	-	23,674
Training	19,607	-	-	19,607
Other Operating Expenses	114,215	42,811	18,087	175,113
Capital/Maintenance	165,406	14,730	-	180,136
Vehicle Expense	6,762	-	-	6,762
Reimbursable Expenses	38,215	-	-	38,215
Bad Debts Expense	21,791	-	-	21,791
Uncategorized Expense	84,308	-	-	84,308
Security Project Expense	5,067	-	61,447	66,514
Depreciation	140,626	-	-	140,626
Total Operating Expenses	\$ 2,947,087	\$ 664,689	\$ 91,024	\$ 3,702,800
Operating Income (Loss)	\$ (195,034)	\$ (107,574)	\$ 40,323	\$ (262,285)
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	\$ 1,622	\$ -	\$ -	\$ 1,622
Rent Income	87,916	-	-	87,916
Reimbursement	1,049	-	-	1,049
SCRAM/Monitoring Revenue (RRC)	-	14,681	-	14,681
Total Non-Operating Revenues (Expenses)	\$ 90,587	\$ 14,681	\$ -	\$ 105,268
Income (Loss) Before Transfers	\$ (104,447)	\$ (92,893)	\$ 40,323	\$ (157,017)
Transfers In	\$ 36	\$ -	\$ -	\$ 36
Transfers Out	-	36	-	36
Change in Net Position	\$ (104,411)	\$ (92,857)	\$ 40,323	\$ (156,945)
Net Position - January 1	\$ 3,200,029	\$ 166,320	\$ 79,330	\$ 3,445,679
Prior Period Adjustment	\$ (55,608)	\$ -	\$ -	\$ (55,608)
Net Position - January 1, as restated	\$ 3,144,421	\$ 166,320	\$ 79,330	\$ 3,390,071
Net Position - December 31	\$ 3,040,010	\$ 73,463	\$ 119,653	\$ 3,233,126

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, 2021

	Business-Type Activities			
	Law Enforcement	Re Entry	Jail	
			Operating Account	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from Customers	\$ 2,863,533	\$ 613,036	\$ -	\$ 3,476,569
Received from Commissary	-	-	400	400
Received from Commissions	-	-	69,500	69,500
Received from Bonds	-	-	61,447	61,447
Payments to Bonds	-	-	(61,447)	(61,447)
Payments to Suppliers for Goods and Services	(1,154,762)	(197,801)	(18,087)	(1,370,650)
Payments to Employees	(1,688,822)	(467,575)	(11,490)	(2,167,887)
Net Cash Provided by Operating Activities	<u>\$ 19,949</u>	<u>\$ (52,340)</u>	<u>\$ 40,323</u>	<u>\$ 7,932</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers In	\$ 36	\$ -	\$ -	\$ 36
Transfers Out	-	36	-	36
Other Non-Operating Expenses	-	-	-	-
Other Non-Operating Proceeds	88,964	14,680	-	103,644
Net Cash Provided by Non-capital Financing Activities	<u>\$ 89,000</u>	<u>\$ 14,716</u>	<u>\$ -</u>	<u>\$ 103,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	\$ 1,622	\$ -	\$ -	\$ 1,622
Net Cash Provided by Investing Activities	<u>\$ 1,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,622</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 110,571</u>	<u>\$ (37,624)</u>	<u>\$ 40,323</u>	<u>\$ 113,270</u>
Cash and Cash Equivalents - January 1	\$ 485,219	\$ 150,977	\$ 79,330	\$ 715,526
Cash and Cash Equivalents - December 31	<u>\$ 595,790</u>	<u>\$ 113,353</u>	<u>\$ 119,653</u>	<u>\$ 828,796</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ (195,034)</u>	<u>\$ (107,574)</u>	<u>\$ 40,323</u>	<u>\$ (262,285)</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Depreciation	\$ 140,626	\$ -	\$ -	\$ 140,626
Change in Assets and Liabilities				
Accounts Receivable	111,480	55,921	-	167,401
Accounts Payable	(50,351)	(9,391)	-	(59,742)
Salaries Payable	9,013	4,896	-	13,909
Compensated Absences	4,215	3,808	-	8,023
Total Adjustments	<u>\$ 214,983</u>	<u>\$ 55,234</u>	<u>\$ -</u>	<u>\$ 270,217</u>
Net Cash Provided by Operating Activities	<u>\$ 19,949</u>	<u>\$ (52,340)</u>	<u>\$ 40,323</u>	<u>\$ 7,932</u>

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

LAKE REGION LAW ENFORCEMENT CENTER

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 53,842</u>
LIABILITIES	
Funds Held for Inmates	<u>\$ 53,842</u>

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

LAKE REGION LAW ENFORCEMENT CENTER

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Inmate Trust Account Collections	340,577
Miscellaneous Collections	<u>1,189</u>
Total Additions	<u>\$ 341,766</u>
DEDUCTIONS	
Commissary Disbursements	\$ 107,973
Inmate Trust Account Disbursements	<u>233,793</u>
Total Deductions	<u>\$ 341,766</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u><u>\$ -</u></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, 2021

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 County, 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 LEC'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.

Re-entry Center Fund. This is the Residential Re-entry Center Fund. It accounts for the financial resources of the law enforcement's Re-entry activity.

Jail Operating Account. This is the Jail Operating Account. It accounts for the financial resources of the jail commissary, commission from phone cards, and inmate salary.

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:

Custodial Fund. This fund accounts for assets held by the LEC in a custodial capacity as an agent on behalf of others. The LEC’s custodial 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:

Assets	Years
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:

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

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 3rd 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

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 restating governmental activities for capital assets and business type activities for salaries payable and capital assets.

Adjustments to, and effect on, beginning net position are as follows:

Governmental Activities	Amounts
Beginning Net Position, as Previously Reported	\$ 42,776
Adjustments to restate the January 1, 2021 Net Position	
Capital Assets Depreciable, Net	(101,347)
Net Position January 1, as restated	\$ (58,571)

Business Type Activities - Law Enforcement Center Fund	Amounts
Beginning Net Position, as Previously Reported	\$ 3,200,029
Adjustments to restate the January 1, 2021 Net Position	
Salaries Payable	(61,393)
Capital Asset Depreciable, Net	5,785
Net Position January 1, as restated	\$ 3,144,421

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, 2021, the LEC’s carrying amount of deposits totaled \$1,010,653 and the bank balances totaled \$1,376,774. Of the bank balances, \$501,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

NOTE 4 CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended December 31, 2021:

Governmental Activities	Restated Balance January 1	Increases	Decreases	Balance December 31
Capital Assets Not Being Depreciated Equipment	\$ -	\$ 359,823		\$ 359,823
Capital Assets Being Depreciated Equipment	\$ 190,254	\$ -	\$ 174,737	\$ 15,517
Less Accumulated Depreciation Equipment	\$ 190,254	\$ -	\$ 174,737	\$ 15,517
Governmental Activities Capital Assets, Net	\$ -	\$ 359,823	\$ -	\$ 359,823

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, 2021:

Law Enforcement Center Fund	Restated Balance January 1	Increases	Decreases	Balance December 31
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	41,705	-	17,000	24,705
Equipment	919,345	-	-	919,345
Total Capital Assets, Being Depreciated	\$ 4,241,451	\$ -	\$ 17,000	\$ 4,224,451
Less Accumulated Depreciation Buildings	\$ 1,462,787	\$ 59,479	\$ -	\$ 1,522,266
Building Improvements	115,259	16,594	-	131,853
Vehicles	34,981	1,681	17,000	19,662
Equipment	164,161	62,872	-	227,033
Total Accumulated Depreciation	\$ 1,777,188	\$ 140,626	\$ 17,000	\$ 1,900,814
Total Capital Assets Being Depreciated, Net	\$ 2,464,263	\$ (140,626)	\$ -	\$ 2,323,637
Business-type Activities Capital Assets, Net	\$ 2,623,966	\$ (140,626)	\$ -	\$ 2,483,340

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, 2021, the following changes occurred in governmental activities long-term liabilities:

Governmental Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Long-Term Debt					
Loan Payable	\$ 153,893	\$ 270,512	\$ 83,673	\$ 340,732	\$ 109,617
Compensated Absences Payable *	\$ 31,196	\$ 5,747	\$ -	\$ 36,943	\$ 7,389
Total Long-Term Liabilities	\$ 185,089	\$ 276,259	\$ 83,673	\$ 377,675	\$ 117,006

* - 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, 2021, the following changes occurred in business-type activities long-term liabilities:

Law Enforcement Center Fund	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences Payable *	\$ 84,180	\$ 4,215	\$ -	\$ 88,395	\$ 17,679

Residential Reentry Center Fund	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences Payable *	\$ 14,783	\$ 3,808	\$ -	\$ 18,591	\$ 3,718

* - 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:

Governmental Activities		
Year Ending December 31	Loan Payable	
	Principal	Interest
2022	109,617	4,433
2023	67,599	4,906
2024	53,310	3,689
2025	54,521	2,480
2026	55,685	1,253
Total	\$ 340,732	\$ 16,761

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 \$1,131,126 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, 2021, 2020, and 2019 were \$31,506, \$29,344, and \$36,946 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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
911 Assessments	\$ 991,380	\$ 978,150	\$ 968,881	\$ (9,269)
SIRN/Console Project	101,838	101,838	101,838	-
Interest	350	171	171	-
Miscellaneous Income	600	28	28	-
Total Revenues	<u>\$ 1,094,168</u>	<u>\$ 1,080,187</u>	<u>\$ 1,070,918</u>	<u>\$ (9,269)</u>
EXPENDITURES				
Current				
Public Safety	\$ 1,364,678	\$ 1,339,506	\$ 1,341,772	\$ (2,266)
Total Expenditures	<u>\$ 1,364,678</u>	<u>\$ 1,339,506</u>	<u>\$ 1,341,772</u>	<u>\$ (2,266)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (270,510)</u>	<u>\$ (259,319)</u>	<u>\$ (270,854)</u>	<u>\$ (11,535)</u>
OTHER FINANCING SOURCES(USES)				
Debt Proceeds	\$ 270,512	\$ 270,512	\$ 270,512	\$ -
Net Change in Fund Balances	<u>\$ 2</u>	<u>\$ 11,193</u>	<u>\$ (342)</u>	<u>\$ (11,535)</u>
Fund Balance - January 1	<u>\$ 131,115</u>	<u>\$ 131,115</u>	<u>\$ 131,115</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 131,117</u>	<u>\$ 142,308</u>	<u>\$ 130,773</u>	<u>\$ (11,535)</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, 2021

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 2021 budget for the E-911 fund as follows:

	Original Budget	Amendment	Amended Budget
Revenues	\$ 1,094,167	\$ (13,979)	\$ 1,080,188
Expenditures	1,364,678	(25,172)	1,339,506

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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*

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, 2021, 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 November 3, 2022.

Report on 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) as a basis for designing 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 were not identified. However, as described in the accompanying *schedule of audit findings*, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying *schedule of audit findings* as items 2021-001, 2021-002, and 2021-003 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 deficiency described in the accompanying *schedule of audit findings* as item 2021-004 to be a significant deficiency.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Region Law Enforcement’s financial statements are free from material misstatements, 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on Lake Region Law Enforcement Center’s response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. Lake Region Law Enforcement Center’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 3, 2022

LAKE REGION LAW ENFORCEMENT CENTER

Summary of Auditor's Results
For the Year Ended December 31, 2021

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, 2021

2021-001 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.

Effect

According to the COSO framework, 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 districts.

Cause

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

Criteria

The lack of segregation of duties increases the risk of material misstatement to the Lake Region Law Enforcement Center's financial condition, 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. Lake Region Law Enforcement Center agrees and will segregate duties as it becomes feasible.

2021-002 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Material auditor-identified adjusting entries to the financial statements were proposed and adjusted to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect

Inadequate internal controls over recording of transactions impacts Lake Region Law Enforcement Center's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Lake Region Law Enforcement Center management does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

Criteria

Lake Region Law Enforcement Center is responsible to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend Lake Region Law Enforcement Center review all adjusting entries to ensure the financial statements are in accordance with GAAP.

Lake Region Law Enforcement Center's Response

Agree. Lake Region Law Enforcement Center will review all entries to ensure they are free of material misstatements.

2021-003 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition

During testing, it was found that capital assets additions and depreciation expense were overstated by \$60,438 and \$16,089 respectively, in the 2021 capital asset listing. This was due to 2022 payments being included in the total cost of the asset. These adjustments were proposed and accepted by Lake Region Law Enforcement Center.

Effect

The financial statements may have been materially misstated if capital assets additions had not been adjusted during the audit.

Cause

Lake Region Law Enforcement Center may not have been aware of when to include a cost of an asset in its capital asset listing.

Criteria

Lake Region Law Enforcement Center is responsible to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend Lake Region Law Enforcement Center review the capital asset additions to ensure they are accurate and free of material misstatements.

Lake Region Law Enforcement Center’s Response

Agree. Lake Region Law Enforcement Center will review capital asset additions at the end of the year to ensure that the capital asset listing is accurate.

2021-004 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 has various policies and procedures to mitigate the risk of fraud. However, we have not put a formal fraud risk assessment together but will be performing a formal risk assessment in early 2022.

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GOVERNANCE COMMUNICATION

November 3, 2022

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

We have audited the financial statements of 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, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 17, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lake Region Law Enforcement Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Lake Region Law Enforcement Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all know 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 misstatements. The schedule below lists all corrected misstatements detected as a result of audit procedures.

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
Governmental Funds Adjustments		
E-911 Fund		
<u>To Record Salaries Payable</u>		
Expenditures	15,989	
Salaries Payable		15,989
Enterprise Fund Adjustments		
LEC Fund		
<u>To Remove Voided Check</u>		
Cash	1,294	
Expenditures		1,294
<u>To Record Salaries Payables</u>		
Expenditures	70,406	
Salaries Payable		70,406
<u>To Remove Prior Years Reclass of Revenue</u>		
Revenue	14,123	
Transfers In		14,123
<u>To Record PPA Adjustment for Capital Assets</u>		
Capital Assets, Net	5,784	
Fund Balance		5,784
<u>To Record PPA for Salaries Payable</u>		
Salaries Payable	61,393	
Expenditures		61,393
<u>To Adjust Interfund Reimbursements to Proper Funds</u>		
Revenue	1,093,407	
Expenditure		1,093,407
RRC Fund		
<u>To Record Payables Salaries</u>		
Expenditures	27,976	
Salaries Payable		27,976
<u>To Remove Prior Years Reclass of Revenue</u>		
Revenue	21,138	
Transfers In		21,138
Government Wide Adjustment		
<u>To Record Additional Debt Payment</u>		
Long-Term Debt	32,140	
Expenditures		32,140
<u>To Record Audit Adjustment to Capital Asset Additions</u>		
Net Position	44,349	
Capital Asset, Net		44,349
<u>To Adjust Interest Payable</u>		
Interest Payable	1,407	
Expenditure		1,407

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 November 3, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decided 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 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 required 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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standars, 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.

Other Matters

We applied certain limited procedures to the *Budgetary Comparison Schedule* and *notes to the required supplementary information*, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of mangement regarding the methods of preparing the information and comparing the information for consistency with mangement’s responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Lake Region Law Enforcement Center 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
November 3, 2022



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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