



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, 2022

Client Code: PS36102



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Office of the
State Auditor

LAKE REGION LAW ENFORCEMENT CENTER

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LAKE REGION LAW ENFORCEMENT CENTER

Law Enforcement Officials

December 31, 2022

LAW ENFORCEMENT CENTER OFFICIALS

Ed Brown	Chairman - LEC, Ramsey County Commission Representative
Dale Robbins	Chairman - E-911, City of Devils Lake Representative
Cody Johnson	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
Starr Klemetsrud	Interim Director
Peggy Hoel	Finance Administrator

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of 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 Lake Region Law Enforcement Center, Devils Lake, North Dakota, as of and for the year ended December 31, 2022, 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.

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 Lake Region Law Enforcement Center, Devils Lake, North Dakota, as of December 31, 2022, 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 audits 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 2021 financial statements have been restated to correct misstatements. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 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 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 matters, 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 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 GAS, we have also issued our report dated January 29, 2024 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 solely 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 the effectiveness of Lake Region Law Enforcement Center's 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
January 29, 2024

LAKE REGION LAW ENFORCEMENT CENTER

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 196,772	\$ 681,573	\$ 878,345
Accounts Receivable	9,190	217,925	227,115
Capital Assets			
Nondepreciable	357,844	159,703	517,547
Depreciable, Net	58,256	2,198,447	2,256,703
Total Assets	<u>\$ 622,062</u>	<u>\$ 3,257,648</u>	<u>\$ 3,879,710</u>
LIABILITIES			
Accounts Payable	\$ 21,055	\$ 8,691	\$ 29,746
Salaries Payable	16,965	90,732	107,697
Interest Payable	1,434	-	1,434
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	52,148	-	52,148
Compensated Absences Payable	6,592	19,210	25,802
Due Outside One Year			
Long-Term Debt	163,516	-	163,516
Compensated Absences Payable	26,366	76,840	103,206
Total Liabilities	<u>\$ 288,076</u>	<u>\$ 195,473</u>	<u>\$ 483,549</u>
NET POSITION			
Net Investment in Capital Assets	\$ 200,436	\$ 2,358,150	\$ 2,558,586
Restricted for			
Public Safety	133,550	-	133,550
Unrestricted	-	704,025	704,025
Total Net Position	<u>\$ 333,986</u>	<u>\$ 3,062,175</u>	<u>\$ 3,396,161</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, 2022

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	\$ 1,027,423	\$ 1,209,193	\$ -	\$ 181,770	\$ -	\$ 181,770
Interest	4,487	-	-	(4,487)	-	(4,487)
Total Governmental Activities	\$ 1,031,910	\$ 1,209,193	\$ -	\$ 177,283	\$ -	\$ 177,283
Business-Type Activities						
Law Enforcement Center	\$ 2,793,147	\$ 2,388,008	\$ -	\$ -	\$ (405,139)	\$ (405,139)
Residential Reentry Center	795,530	866,509	-	-	70,979	70,979
Jail Operating Account	95,886	-	-	-	(95,886)	(95,886)
Total Business Type Activities	\$ 3,684,563	\$ 3,254,517	\$ -	\$ -	\$ (430,046)	(430,046)
Total Primary Government	\$ 4,716,473	\$ 4,463,710	\$ -	\$ 177,283	\$ (430,046)	\$ (252,763)
Interest Income				\$ 214	\$ 1,584	\$ 1,798
Phone Commission				-	32,685	32,685
Commissary Income				-	35,119	35,119
Bond Proceeds				-	65,961	65,961
Miscellaneous Revenue				-	153,484	153,484
Net Cash Transfers				45,904	(45,904)	-
Total General Revenues				\$ 46,118	\$ 242,929	\$ 289,047
Change in Net Position				\$ 223,401	\$ (187,117)	\$ 36,284
Net Position - January 1				\$ 110,585	\$ 3,233,126	\$ 3,343,711
Prior Period Adjustment				\$ -	\$ 16,166	\$ 16,166
Net Position - January 1, as restated				\$ 110,585	\$ 3,249,292	\$ 3,359,877
Net Position - December 31				\$ 333,986	\$ 3,062,175	\$ 3,396,161

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

LAKE REGION LAW ENFORCEMENT CENTER

Balance Sheet – Governmental Fund

December 31, 2022

	E-911 Fund	Capital Project Fund	Total
ASSETS			
Cash	\$ 195,772	\$ 1,000	\$ 196,772
Accounts Receivable	9,190	-	9,190
Total Assets	<u>\$ 204,962</u>	<u>\$ 1,000</u>	<u>\$ 205,962</u>
LIABILITIES			
Accounts Payable	\$ 21,055	\$ -	\$ 21,055
Salaries Payable	16,965	-	16,965
Total Liabilities	<u>\$ 38,020</u>	<u>\$ -</u>	<u>\$ 38,020</u>
FUND BALANCES			
Restricted For Public Safety	\$ 166,942	\$ 1,000	\$ 167,942
Total Fund Balances	<u>\$ 166,942</u>	<u>\$ 1,000</u>	<u>\$ 167,942</u>
Total Liabilities and Fund Balances	<u>\$ 204,962</u>	<u>\$ 1,000</u>	<u>\$ 205,962</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, 2022

Total Fund Balance for Governmental Fund \$ 167,942

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. 416,100

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	(215,664)	
Interest Payable	(1,434)	
Compensated Absences	(32,958)	<u>(250,056)</u>

Total Net Position of Governmental Activities \$ 333,986

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, 2022

	E-911 Fund	Capital Projects Fund	Total
REVENUES			
911 Assessments	\$ 1,072,321	\$ -	\$ 1,072,321
Intergovernmental Revenue	110,220	26,652	136,872
Interest	214	-	214
Miscellaneous Income	-	-	-
Total Revenues	\$ 1,182,755	\$ 26,652	\$ 1,209,407
EXPENDITURES			
Current			
Public Safety	\$ 1,089,586	\$ -	\$ 1,089,586
Debt Service			
Principal	54,849	70,220	125,069
Interest	2,151	2,336	4,487
Total Expenditures	\$ 1,146,586	\$ 72,556	\$ 1,219,142
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,169	\$ (45,904)	\$ (9,735)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -	\$ 45,904	\$ 45,904
Total Other Financing Sources and Uses	\$ -	\$ 45,904	\$ 45,904
Net Change in Fund Balances	\$ 36,169	\$ -	\$ 36,169
Fund Balance - January 1	\$ 130,773	\$ 1,000	\$ 131,773
Fund Balance - December 31	\$ 166,942	\$ 1,000	\$ 167,942

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, 2022

Net Change in *Fund Balance* - Total Governmental Fund \$ 36,169

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	3,985	
Net Change in Interest Payable	<u>1,901</u>	5,886

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	60,438	
Depreciation Expense	<u>(4,161)</u>	56,277

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.

Repayment of Debt		<u>125,069</u>
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Change in Net Position of Governmental Activities \$ 223,401

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, 2022

	Business-Type Activities			Total
	Law Enforcement	Re-Entry	Jail Operating Account	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 343,379	\$ 177,346	\$ 160,848	\$ 681,573
Accounts Receivable	130,855	87,070	-	217,925
Total Current Assets	\$ 474,234	\$ 264,416	\$ 160,848	\$ 899,498
Noncurrent Assets				
Capital Assets				
Nondepreciable	\$ 159,703	\$ -	\$ -	\$ 159,703
Depreciable, Net	2,198,447	-	-	2,198,447
Total Noncurrent Assets	\$ 2,358,150	\$ -	\$ -	\$ 2,358,150
Total Assets	\$ 2,832,384	\$ 264,416	\$ 160,848	\$ 3,257,648
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ -	\$ 8,691	\$ -	\$ 8,691
Salaries Payable	61,411	29,321	-	90,732
Compensated Absences Payable	14,978	4,232	-	19,210
Total Current Liabilities	\$ 76,389	\$ 42,244	\$ -	\$ 118,633
Noncurrent Liabilities				
Compensated Absences Payable	\$ 59,913	\$ 16,927	\$ -	\$ 76,840
Total Noncurrent Liabilities	\$ 59,913	\$ 16,927	\$ -	\$ 76,840
Total Liabilities	\$ 136,302	\$ 59,171	\$ -	\$ 195,473
NET POSITION				
Net Investment in Capital Assets	\$ 2,358,150	\$ -	\$ -	\$ 2,358,150
Unrestricted	337,932	205,245	160,848	704,025
Total Net Position	\$ 2,696,082	\$ 205,245	\$ 160,848	\$ 3,062,175

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, 2022

	Business-Type Activities			
	Law Enforcement	Re Entry	Jail Operating Account	Total
OPERATING REVENUES				
Charges for Services	\$ 2,388,008	\$ 866,509	\$ -	\$ 3,254,517
Phone Commission	-	-	32,685	32,685
Commissary Income	-	-	35,119	35,119
Miscellaneous Income	-	-	3,316	3,316
Bonds Received	-	-	65,961	65,961
Total Operating Income	\$ 2,388,008	\$ 866,509	\$ 137,081	\$ 3,391,598
OPERATING EXPENSES				
Group Insurance Benefits	\$ 219,724	\$ 118,670	\$ -	\$ 338,394
Retirement	24,289	3,908	-	28,197
Payroll	1,563,043	433,457	10,315	2,006,815
Utilities	119,158	16,078	-	135,236
Medical	5,919	423	-	6,342
Phone	18,524	-	-	18,524
Reimbursed Medical	18,251	-	-	18,251
Kitchen & Laundry	259,607	92,846	-	352,453
Supplies	63,283	8,170	-	71,453
Professional Fees	31,209	-	-	31,209
Insurance	24,225	-	-	24,225
Training	23,346	-	-	23,346
Other Operating Expenses	50,418	89,765	19,610	159,793
Capital/Maintenance	133,195	32,213	-	165,408
Vehicle Expense	4,167	-	-	4,167
Reimbursable Expenses	93,433	-	-	93,433
Security Project Expense	-	-	65,961	65,961
Depreciation	141,356	-	-	141,356
Total Operating Expenses	\$ 2,793,147	\$ 795,530	\$ 95,886	\$ 3,684,563
Operating Income (Loss)	\$ (405,139)	\$ 70,979	\$ 41,195	\$ (292,965)
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	\$ 1,584	\$ -	\$ -	\$ 1,584
Rent Income	87,919	-	-	87,919
Reimbursement	1,446	-	-	1,446
SCRAM/Monitoring Revenue (RRC)	-	60,803	-	60,803
Total Non-Operating Revenues (Expenses)	\$ 90,949	\$ 60,803	\$ -	\$ 151,752
Income (Loss) Before Transfers	\$ (314,190)	\$ 131,782	\$ 41,195	\$ (141,213)
Transfers Out	\$ (45,904)	\$ -	\$ -	\$ (45,904)
Change in Net Position	\$ (360,094)	\$ 131,782	\$ 41,195	\$ (187,117)
Net Position - January 1	\$ 3,040,010	\$ 73,463	\$ 119,653	\$ 3,233,126
Net Position - December 31	\$ 2,696,082	\$ 205,245	\$ 160,848	\$ 3,062,175

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, 2022

	Business-Type Activities			
	Law Enforcement	Re Entry	Jail	
			Operating Account	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from Customers	\$ 2,423,047	\$ 791,316	\$ -	\$ 3,214,363
Received from Commissary	-	-	35,119	35,119
Received from Commissions	-	-	36,002	36,002
Received from Bonds	-	-	65,961	65,961
Payments to Bonds	-	-	(65,961)	(65,961)
Payments to Suppliers for Goods and Services	(890,948)	(236,004)	(19,611)	(1,146,563)
Payments to Employees	(1,829,555)	(552,121)	(10,315)	(2,391,991)
Net Cash Used by Operating Activities	<u>\$ (297,456)</u>	<u>\$ 3,191</u>	<u>\$ 41,195</u>	<u>\$ (253,070)</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES				
Other Non-Operating Proceeds	\$ 89,365	\$ 60,802	\$ -	\$ 150,167
Net Cash Provided by Non-capital Financing Activities	<u>\$ 43,461</u>	<u>\$ 60,802</u>	<u>\$ -</u>	<u>\$ 104,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	\$ 1,584	\$ -	\$ -	\$ 1,584
Net Cash Provided by Investing Activities	<u>\$ 1,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,584</u>
Net Decrease in Cash and Cash Equivalents	<u>\$ (252,411)</u>	<u>\$ 63,993</u>	<u>\$ 41,195</u>	<u>\$ (147,223)</u>
Cash and Cash Equivalents - January 1	\$ 595,790	\$ 113,353	\$ 119,653	\$ 828,796
Cash and Cash Equivalents - December 31	<u>\$ 343,379</u>	<u>\$ 177,346</u>	<u>\$ 160,848</u>	<u>\$ 681,573</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ (405,139)</u>	<u>\$ 70,979</u>	<u>\$ 41,195</u>	<u>\$ (292,965)</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Depreciation	\$ 141,356	\$ -	\$ -	\$ 141,356
Change in Assets and Liabilities				
Accounts Receivable	35,039	(75,193)	-	(40,154)
Accounts Payable	(46,213)	3,491	-	(42,722)
Salaries Payable	(8,995)	1,345	-	(7,650)
Compensated Absences	(13,504)	2,569	-	(10,935)
Total Adjustments	<u>\$ 107,683</u>	<u>\$ (67,788)</u>	<u>\$ -</u>	<u>\$ 39,895</u>
Net Cash Used by Operating Activities	<u>\$ (297,456)</u>	<u>\$ 3,191</u>	<u>\$ 41,195</u>	<u>\$ (253,070)</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

For the Year Ended December 31, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 27,596
Accounts Receivable	<u>6,599</u>
Total Assets	<u><u>34,195</u></u>
LIABILITIES	
Funds Held for Inmates	\$ 3,356
Accounts Payable	<u>30,127</u>
Total Liabilities	<u><u>\$ 33,483</u></u>
NET POSITION	
Restricted	
Funds Held for Inmates	<u>\$ 712</u>
Total Net Position	<u><u>\$ 712</u></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
December 31, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Inmate Trust Account Collections	\$ 173,868
Miscellaneous Collections	<u>1,975</u>
Total Additions	<u>\$ 175,843</u>
DEDUCTIONS	
Commissary Disbursements	\$ 49,077
Inmate Trust Account Disbursements	<u>179,896</u>
Total Deductions	<u>\$ 228,973</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ (53,130)</u>
Net Position - Beginning	<u>\$ -</u>
Prior Period Adjustment	<u>\$ 53,842</u>
Net Position - Beginning - January 1 Restated	<u>\$ 53,842</u>
Net Position - Ending	<u><u>\$ 712</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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake Region Law Enforcement Center ("LEC") have been prepared in conformity with accounting principles generally accepted in the United States of America 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 it is financially accountable and other organizations for which the nature and significance of their relationships with the LEC are such that exclusion would cause its 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Cash 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.

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

Capital assets of the LEC are depreciated using the straight-line method over the following estimated useful lives (in years):

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.

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

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.

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

Business-Type Activities Net Position as of January 1, 2022 has been restated due to adding in missing Capital Assets from the prior period:

Business Type Activities	Amounts
Beginning Net Position, as Previously Reported	\$ 3,233,126
Adjustments to restate the January 1, 2022 Net Position	
Capital Assets, Net	16,166
Net Position January 1, as restated	\$ 3,249,292

Fiduciary Net Position as of January 1, 2022 has been restated due to reclassifying Liabilities to Net Position from the prior period:

Fiduciary Funds	Amounts
Beginning Net Position, as Previously Reported	\$ -
Adjustments to restate the January 1, 2022 Net Position	
Reclass Liabilities to Net Position	53,842
Net Position January 1, 2022 as restated	\$ 53,842

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.

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

At year ended December 31, 2022, the LEC’s carrying amount of deposits totaled \$896,903 and the bank balances totaled \$1,002,267. Of the bank balances, \$456,344 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, 2022 for the LEC:

Governmental Activities	Balance January 1	Increases	Decreases	Transfers to Enterprise Activities	Balance December 31
Capital Assets Not Being Depreciated					
Equipment	\$ 359,823	\$ 60,438	\$ -	\$ (62,417)	\$ 357,844
Capital Assets Being Depreciated					
Equipment	\$ 15,518	\$ -	\$ -	\$ 62,417	\$ 77,935
Less Accumulated Depreciation					
Equipment	\$ 15,518	\$ 4,161	\$ -	\$ -	\$ 19,679
Governmental Activities Capital Assets, Net	\$ 359,823	\$ 56,277	\$ -	\$ -	\$ 416,100

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, 2022:

Law Enforcement Center Fund	Restated Balance January 1	Increases	Decreases	Transfers from Governmental Activities	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	24,705	-	1,300	-	23,405
Equipment	954,760	-	-	-	954,760
Total Capital Assets, Being Depreciated	\$ 4,259,866	\$ -	\$ 1,300	\$ -	\$ 4,258,566
Less Accumulated Depreciation					
Buildings	\$ 1,522,267	\$ 59,479	\$ -	\$ -	\$ 1,581,746
Building Improvements	131,853	14,054	-	-	145,907
Vehicles	19,662	1,681	1,300	-	20,043
Equipment	246,282	66,143	-	-	312,425
Total Accumulated Depreciation	\$ 1,920,064	\$ 141,357	\$ 1,300	\$ -	\$ 2,060,121
Total Capital Assets Being Depreciated, Net	\$ 2,339,802	\$ (141,357)	\$ -	\$ -	\$ 2,198,446
Business-type Activities Capital Assets, Net	\$ 2,499,505	\$ (141,357)	\$ -	\$ -	\$ 2,358,149

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, 2022, 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	\$ 340,732	\$ -	\$ 125,069	\$ 215,663	\$ 52,148
Compensated Absences Payable *	\$ 36,943		\$ 3,985	\$ 32,958	\$ 6,592
Total Long-Term Liabilities	\$ 377,675	\$ -	\$ 129,054	\$ 248,621	\$ 58,740

* The change in Compensated Absences is shown as a net change.

Business-Type Activities

During the year ended December 31, 2022, 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 *	\$ 88,395		\$ 13,504	\$ 74,891	\$ 14,978

Residential Reentry Center Fund	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences Payable *	\$ 18,591	\$ 2,568	\$ -	\$ 21,159	\$ 4,232

* The change in Compensated Absences is shown as a net change.

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

Governmental Activities		
Year Ending December 31	Loan Payable	
	Principal	Interest
2023	52,148	4,852
2024	53,311	3,689
2025	54,520	2,480
2026	55,684	1,253
Total	\$ 215,663	\$ 12,274

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 \$1,188,888 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 6 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, 2022, 2021, and 2020 were \$40,309, \$31,506, and \$29,344 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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
911 Assessments	\$ 1,118,449	\$ 1,091,239	\$ 1,072,321	\$ (18,918)
SIRN/Console Project	-	110,220	110,220	-
Interest	300	214	214	-
Miscellaneous Income	500	1	-	(1)
Total Revenues	\$ 1,119,249	\$ 1,201,674	\$ 1,182,755	\$ (18,919)
EXPENDITURES				
Current				
Public Safety	\$ 1,119,246	\$ 1,148,018	\$ 1,089,586	\$ 58,432
Debt Service				
Principal	-	-	54,849	(54,849)
Interest	-	-	2,151	(2,151)
Total Expenditures	\$ 1,119,246	\$ 1,148,018	\$ 1,146,586	\$ 1,432
Excess (Deficiency) of Revenues Over Expenditures	\$ 3	\$ 53,656	\$ 36,169	\$ (17,487)
Net Change in Fund Balances	\$ 3	\$ 53,656	\$ 36,169	\$ (17,487)
Fund Balance - January 1	\$ 130,773	\$ 130,773	\$ 130,773	\$ -
Fund Balance - December 31	\$ 130,776	\$ 184,429	\$ 166,942	\$ (17,487)

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, 2022

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 2022 budget for the E-911 fund as follows:

	Original Budget	Amendment	Amended Budget
Revenues	\$ 1,119,249	\$ 82,424	\$ 1,201,674
Expenditures	1,119,246	28,772	1,148,018

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, 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 January 29, 2024.

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 accompany *schedule of audit findings* as items 2022-001 and 2022-003 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 2022-002 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 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 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
January 29, 2024

LAKE REGION LAW ENFORCEMENT CENTER

Summary of Auditor's Results

For the Year Ended December 31, 2022

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, 2022

2022 -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

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

Cause

Management has chosen to allocate its economic resources to other functions of the component units.

Criteria

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.

Repeat Finding

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.

2022 -002 – 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 economic resources and decided to not implement the formal fraud risk assessment at this moment.

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.

Repeat Finding

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 2023.

2022 -003 – MATERIAL AUDIT ADJUSTMENTS– MATERIAL WEAKNESS

Condition

During the audit of Lake Region LEC, we proposed material adjusting entries to accrue receivables and payables into the financial statements in order for the financial statements to be in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Effect

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

Cause

Lake Region LEC may not have procedures in place to ensure the financial statements are complete and accurate.

Criteria

Lake Region LEC is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

Yes.

Recommendation

We recommend Lake Region LEC review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate 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.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

January 29, 2024

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, Devils Lake, North Dakota, for the year ended December 31, 2022. 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 October 10, 2023. 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 2022. 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 governmental activities financial statements were:

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 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 list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

2022 Adjustments	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
Governmental Funds Adjustments		
E-911 Fund		
<u>To Record Accounts Payables</u>		
Expenditures	21,055	
Accounts Payable		21,055
<u>To Record Accounts Receivable</u>		
Accounts Receivable	9,130	
Revenue		9,130
Capital Projects Fund		
<u>Reclass Negative Operating Expense to Transfers In</u>		
Operating Expense	45,904	
Transfers In		45,904
Enterprise Fund Adjustments		
LEC Fund		
<u>To Record Accounts Receivable</u>		
Accounts Receivable	130,855	
Revenue		130,855
<u>Reclass Negative Revenue to Transfers Out</u>		
Transfers Out	45,904	
Miscellaneous Revenue		45,904
<u>To Adjust Interfund Reimbursements to Proper Funds</u>		
Revenue	1,797,210	
Expenditures		1,797,210
RRC Fund		
<u>To Record Accounts Payables</u>		
Expenditures	8,691	
Accounts Payable		8,691
<u>To Record Accounts Receivable</u>		
Accounts Receivable	87,070	
Revenue		87,070

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 January 29, 2024.

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.

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.

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 board members 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
January 29, 2024



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505