



# Lake Region Law Enforcement Center

Devils Lake, North Dakota

## Audit Report

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

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For the Year Ended December 31, 2017

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

December 31, 2017

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**LAW ENFORCEMENT CENTER OFFICIALS**

|                 |   |
|-----------------|---|
| Ed Brown        | Chairman - LEC<br>Ramsey County Commission Representative |
| Craig Stromme   | Chairman - E-911<br>City of Devils Lake Representative    |
| Nancy Marquart  | Commissioner<br>Nelson County Commission Representative   |
| Dale Robbins    | Commissioner<br>City of Devils Lake Representative        |
| Jeff Pfau       | Commissioner<br>Eddy County Commission Representative     |
| Michael Steffan | Commissioner<br>Benson County Commission Representative   |
| Kenneth Teubner | Commissioner<br>Towner County Commission Representative   |
| Mark Olson      | Commissioner<br>Ramsey County Commission Representative   |
| Rob Johnson     | Operation Administrator                                   |
| Peggy Hoel      | Finance Administrator                                     |

**AUDIT STAFF**

|                  |                   |
|------------------|-------------------|
| Craig Hashbarger | Audit Manager     |
| Alex Bakken      | In-Charge Auditor |



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

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, 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, 2017, and related notes to the financial statements, which collectively comprise the Law Enforcement Center's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information and notes to the required supplementary information* on pages 22-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 on our consideration of the Lake Region Law Enforcement Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Region Law Enforcement Center's internal control over financial reporting and compliance.

/s/  
Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 27, 2018

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF NET POSITION  
December 31, 2017

|   | Governmental<br>Activities | Enterprise<br>Activities | Total               |
|---|----------------------------|--------------------------|---------------------|
| <b>ASSETS:</b>                                    |                            |                          |                     |
| Cash and Cash Equivalents                         | \$ 343,092                 | \$ 336,275               | \$ 679,367          |
| Investments                                       | 50,000                     | -                        | 50,000              |
| Accounts Receivable                               | 31,720                     | 160,216                  | 191,936             |
| Capital Assets (not being depreciated):           |                            |                          |                     |
| Land  | -                          | 159,703                  | 159,703             |
| Capital Assets (net of accumulated depreciation): |                            |                          |                     |
| Buildings   | -                          | 1,705,256                | 1,705,256           |
| Building Improvements                             | -                          | 240,996                  | 240,996             |
| Vehicles  | -                          | 3,120                    | 3,120               |
| Equipment   | 121,142                    | 66,455                   | 187,597             |
| Office Equipment                                  | -                          | 4,206                    | 4,206               |
| Total Capital Assets                              | <u>\$ 121,142</u>          | <u>\$ 2,179,736</u>      | <u>\$ 2,300,878</u> |
| Total Assets                                      | <u>\$ 545,954</u>          | <u>\$ 2,676,227</u>      | <u>\$ 3,222,181</u> |
| <b>LIABILITIES:</b>                               |                            |                          |                     |
| Accounts Payable                                  | \$ 15,133                  | \$ 20,051                | \$ 35,184           |
| Long-Term Liabilities:                            |                            |                          |                     |
| Due Within One Year:                              |                            |                          |                     |
| Lease Payable                                     | -                          | 2,352                    | 2,352               |
| Compensated Absences Payable                      | 1,496                      | 16,300                   | 17,796              |
| Due Outside One Year:                             |                            |                          |                     |
| Lease Payable                                     | -                          | 4,116                    | 4,116               |
| Compensated Absences Payable                      | 5,984                      | 65,201                   | 71,185              |
| Total Liabilities                                 | <u>\$ 22,613</u>           | <u>\$ 108,020</u>        | <u>\$ 130,633</u>   |
| <b>NET POSITION:</b>                              |                            |                          |                     |
| Net Investment in Capital Assets                  | \$ 121,142                 | \$ 2,173,268             | \$ 2,294,410        |
| Restricted for:                                   |                            |                          |                     |
| E-911/Wireless                                    | 402,199                    | -                        | 402,199             |
| Unrestricted                                      | <u>-</u>                   | <u>394,939</u>           | <u>394,939</u>      |
| Total Net Position                                | <u>\$ 523,341</u>          | <u>\$ 2,568,207</u>      | <u>\$ 3,091,548</u> |

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

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

| Functions/Programs               | Expenses            | Program Revenues<br>Charges for Services | Net (Expense) Revenue and<br>Changes in Net Position |                                 | Total               |
|----------------------------------|---------------------|--|--|---------------------------------|---------------------|
|                                  |                     |  | Governmental<br>Activities                           | Business-<br>Type<br>Activities |                     |
| <u>Governmental Activities:</u>  |                     |  |  |                                 |                     |
| Public Safety                    | \$ 471,214          | \$ 527,393                               | \$ 56,179  | \$ -                            | \$ 56,179           |
| <u>Business-Type Activities:</u> |                     |  |  |                                 |                     |
| Law Enforcement Center           | \$ 3,662,932        | \$ 3,469,029                             | \$ -   | \$ (193,903)                    | \$ (193,903)        |
| Total Primary Government         | <u>\$ 4,134,146</u> | <u>\$ 3,996,422</u>                      | \$ 56,179  | \$ (193,903)                    | \$ (137,724)        |
| <u>General Revenues:</u>         |                     |  |  |                                 |                     |
| Taxes:                           |                     |  |  |                                 |                     |
| Earnings on Investments          |                     |  | \$ 524   | \$ 846                          | \$ 1,370            |
| Miscellaneous Revenue            |                     |  | 252  | 113,388                         | 113,640             |
| Total General Revenues           |                     |  | <u>\$ 776</u>  | <u>\$ 114,234</u>               | <u>\$ 115,010</u>   |
| Change in Net Position           |                     |  | <u>\$ 56,955</u>                                     | <u>\$ (79,669)</u>              | <u>\$ (22,714)</u>  |
| Net Position - January 1         |                     |  | <u>\$ 466,386</u>                                    | <u>\$ 2,647,876</u>             | <u>\$ 3,114,262</u> |
| Net Position - December 31       |                     |  | <u>\$ 523,341</u>                                    | <u>\$ 2,568,207</u>             | <u>\$ 3,091,548</u> |

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

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2017

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|   | <u>Combined<br/>E-911/Wireless</u> |
|---|------------------------------------|
| <u>ASSETS</u>                           |                                    |
| Cash                                    | \$ 343,092                         |
| Investments                             | 50,000                             |
| Accounts Receivable                     | <u>31,720</u>                      |
| <br>Total Assets                        | <br><u><u>\$ 424,812</u></u>       |
| <br><u>LIABILITIES</u>                  |                                    |
| Accounts Payable                        | <u>\$ 15,133</u>                   |
| <br><u>Fund Balances:</u>               |                                    |
| Unassigned                              | <u>\$ 409,679</u>                  |
| <br>Total Liabilities and Fund Balances | <br><u><u>\$ 424,812</u></u>       |

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



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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2017

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|   |                         |
|---|-------------------------|
| Total <i>Fund Balances</i> for Governmental Funds   | \$ 409,679              |
| Total <i>net position</i> reported for governmental activities in the statement of net position is different because:   |                         |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |                         |
| Cost of Capital Assets  | \$ 190,254              |
| Less Accumulated Depreciation   | <u>(69,112)</u> 121,142 |
| Long-term liabilities applicable to the Law Enforcement Center's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2017 are: |                         |
| Compensated Absences  | <u>(7,480)</u>          |
| Total Net Position of Governmental Activities   | <u>\$ 523,341</u>       |

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

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
For the Year Ended December 31, 2017

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|  | <u>Combined<br/>E-911/Wireless</u> |
|--|------------------------------------|
| <u>Revenues:</u>   |                                    |
| 911 Assessments  | \$ 527,393                         |
| Interest   | 524                                |
| Miscellaneous Income                                     | <u>252</u>                         |
| <br>Total Revenues                                       | <br><u>\$ 528,169</u>              |
| <br><u>Expenditures:</u>                                 |                                    |
| Current:   |                                    |
| Public Safety  | <u>\$ 463,251</u>                  |
| <br>Excess (Deficiency) of Revenues<br>Over Expenditures | <br><u>\$ 64,918</u>               |
| <br>Fund Balance - January 1                             | <br><u>\$ 344,761</u>              |
| <br>Fund Balance - December 31                           | <br><u><u>\$ 409,679</u></u>       |

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

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUND  
For the Year Ended December 31, 2017

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Net Change in *Fund Balances* - Total Governmental Funds \$ 64,918

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

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

Net Increase in Compensated Absences (1,365)

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. This is the amount of depreciation in the current year.

Current Year Depreciation Expense (6,598)

Change in Net Position of Governmental Activities \$ 56,955

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

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
December 31, 2017

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|   | <u>Law Enforcement<br/>Center</u> |
|---|-----------------------------------|
| <b><u>ASSETS</u></b>                              |                                   |
| <b><u>Current Assets:</u></b>                     |                                   |
| Cash and Cash Equivalents                         | \$ 336,275                        |
| Accounts Receivable                               | 160,216                           |
| Total Current Assets                              | <u>\$ 496,491</u>                 |
| <b><u>Noncurrent Assets:</u></b>                  |                                   |
| Capital Assets (not being depreciated):           |                                   |
| Land  | <u>\$ 159,703</u>                 |
| Capital Assets (net of accumulated depreciation): |                                   |
| Buildings   | \$ 1,705,256                      |
| Building Improvements                             | 240,996                           |
| Vehicles  | 3,120                             |
| Equipment   | 66,455                            |
| Office Equipment                                  | 4,206                             |
| Total Capital Assets, being depreciated           | <u>\$ 2,020,033</u>               |
| Total Capital Assets                              | <u>\$ 2,179,736</u>               |
| Total Assets                                      | <u>\$ 2,676,227</u>               |
| <b><u>LIABILITIES</u></b>                         |                                   |
| <b><u>Current Liabilities:</u></b>                |                                   |
| Accounts Payable                                  | \$ 20,051                         |
| Lease Payable                                     | 2,352                             |
| Compensated Absences Payable                      | 16,300                            |
| Total Current Liabilities                         | <u>\$ 38,703</u>                  |
| <b><u>Noncurrent Liabilities:</u></b>             |                                   |
| Lease Payable                                     | \$ 4,116                          |
| Compensated Absences Payable                      | 65,201                            |
| Total Noncurrent Liabilities                      | <u>\$ 69,317</u>                  |
| Total Liabilities                                 | <u>\$ 108,020</u>                 |
| <b><u>Net Position:</u></b>                       |                                   |
| Invested in capital assets, net of related debt   | \$ 2,173,268                      |
| Unrestricted                                      | 394,939                           |
| Total Net Position                                | <u><u>\$ 2,568,207</u></u>        |

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

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND

For the Year Ended December 31, 2017

|  | Law Enforcement<br>Center |
|--|---------------------------|
| <u>Operating Revenues:</u>                             |                           |
| Charges for Services                                   | \$ 3,469,028              |
| <u>Operating Expenses:</u>                             |                           |
| Group Insurance Benefits                               | \$ 410,057                |
| Retirement   | 30,885                    |
| Payroll  | 1,660,261                 |
| Utilities  | 112,430                   |
| Medical  | 11,068                    |
| Phone  | 17,480                    |
| Reimbursed Medical                                     | 42,333                    |
| Kitchen & Laundry                                      | 303,233                   |
| Supplies   | 60,292                    |
| Professional Fees                                      | 10,599                    |
| Other Operating Expenses                               | 50,046                    |
| Capital/Maintenance                                    | 96,990                    |
| Vehicle Expense  | 5,006                     |
| Reimbursable Expenses                                  | 607,201                   |
| Residential Re-Entry Facility                          | 7,416                     |
| Miscellaneous Operating Expenses                       | 104,765                   |
| Depreciation   | 97,043                    |
| Total Operating Expenses                               | \$ 3,627,105              |
| Net Operating Loss                                     | \$ (158,077)              |
| <u>Non-Operating Revenues (Expenses):</u>              |                           |
| Interest Income  | \$ 846                    |
| Rent Income  | 73,747                    |
| Miscellaneous Revenue - Photocopy/Telephone Use Reimb. | 2,293                     |
| SCRAM/Monitoring Revenue (RRC)                         | 37,348                    |
| SCRAM/Monitoring Expenses (RRC)                        | (35,826)                  |
| Net Non-Operating Income                               | \$ 78,408                 |
| Change in Net Position                                 | \$ (79,669)               |
| Net Position - January 1                               | \$ 3,031,153              |
| Net Position - December 31                             | \$ 2,568,207              |

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

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended December 31, 2017

|  | BUSINESS-TYPE<br>FUND |
|--|-----------------------|
|  | Law Enforcement       |
| <u>Cash Flows from Operating Activities:</u>   |                       |
| Received from Customers  | \$ 3,517,254          |
| Payments to Suppliers for Goods and Services   | (1,430,509)           |
| Payments to Employees  | (2,109,323)           |
|  | \$ (22,578)           |
| <u>Cash Flows from Non-capital Financing Activities:</u>                                       |                       |
| Other Non-Operating Expenses   | \$ (35,826)           |
| Other Non-Operating Proceeds   | 113,388               |
|  | \$ 77,562             |
| <u>Cash Flows from Capital and Related Financing Activities:</u>                               |                       |
| Acquisition of Capital Assets  | \$ (16,576)           |
| Principal Paid on Loan   | (2,352)               |
|  | \$ (18,928)           |
| <u>Cash Flows from Investing Activities:</u>   |                       |
| Interest Income  | \$ 846                |
|  | \$ 36,902             |
| Cash and Cash Equivalents - January 1  | \$ 299,373            |
| Cash and Cash Equivalents - December 31  | \$ 336,275            |
| <u>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities:</u>    |                       |
| Operating Loss   | \$ (158,077)          |
| <u>Adjustments to Reconcile Operating Income to<br/>Net Cash Used by Operating Activities:</u> |                       |
| Depreciation   | \$ 97,043             |
| Change in Assets and Liabilities:  |                       |
| Accounts Receivable  | 48,226                |
| Accounts Payable   | (1,650)               |
| Compensated Absences   | (8,120)               |
|  | \$ 135,499            |
| Net Cash Used by Operating Activities  | \$ (22,578)           |

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

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES  
AGENCY FUND  
December 31, 2017

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|                      | <u>Agency<br/>Fund</u> |
|----------------------|------------------------|
| <u>Assets:</u>       |                        |
| Cash and Investments | <u>\$ 30,779</u>       |
| <u>Liabilities:</u>  |                        |
| Due to Inmates       | <u>\$ 30,779</u>       |

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

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LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, Lake Region Law Enforcement Center. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through 911 fees. Business-type activities are financed in whole or part by fees charged to external parties.

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



*Fund Financial Statements:* The fund financial statements provide information about the Law Enforcement Center's funds including its governmental and business-type funds. Separate statements for each fund category-governmental, business-type, and fiduciary-are presented. The emphasis of fund financial statements is on the major governmental and major business-type funds.

The Law Enforcement Center reports the following major governmental fund:

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

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

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

Business-Type 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:

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

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

*Government-wide, Business-Type Fund, and Fiduciary Fund Financial Statements.* The government-wide, business-type fund, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary 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 Law Enforcement Center gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Law Enforcement Center considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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 Law Enforcement Center funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Law Enforcement Center's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

**D. Deposits and Investments**

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

**E. Capital Assets**

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

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

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

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

**F. Compensated Absences**

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

Vacation leave is earned as follows:

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

**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. When applicable, bond premiums and discounts are amortized over the life of the bond on a straight-line basis.

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

**H. Fund Balances**

Fund Balance Spending Policy:

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

Fund Balance Reporting and Governmental Fund Type Definitions

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

| <b>CLASSIFICATION</b> | <b>DEFINITION</b>   | <b>EXAMPLES</b>                                       |
|-----------------------|---|---|
| Unassigned            | Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.<br>(a) The General Fund is the only fund that can report a positive unassigned fund balance<br>(b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes report a positive unassigned fund balance | Available for any remaining general fund expenditure. |

Unassigned fund balance is shown on the balance sheet for the Combined/E-911 Wireless fund.

**I. Net Position**

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

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

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

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

**NOTE 2: DEPOSITS AND INVESTMENTS**

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

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

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

At year ended December 31, 2017, the Law Enforcement Center's carrying amount of deposits was \$759,657 and the bank balances totaled \$851,703. Of the bank balances, \$550,000 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.

Credit Risk:

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

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

As of December 31, 2017, the Law Enforcement Center had certificates of deposit totaling \$50,000.

Concentration of Credit Risk:

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

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from other entities for housing prisoners and related services performed during the year, but were not yet received at year end.

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

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2017:

| <b>Governmental Activities</b>                       | <b>Balance<br/>January 1</b> | <b>Increases</b>  | <b>Decreases</b> | <b>Balance<br/>December 31</b> |
|--|------------------------------|-------------------|------------------|--------------------------------|
| <i>Capital assets being depreciated:</i>             |                              |                   |                  |                                |
| Equipment  | \$ 190,254                   | \$ -              | \$ -             | \$ 190,254                     |
| <i>Less Accumulated Depreciation for:</i>            |                              |                   |                  |                                |
| Equipment  | \$ 62,514                    | \$ 6,598          | \$ -             | \$ 69,112                      |
| <b>Governmental Activities - Capital Assets, Net</b> | <b>\$ 127,740</b>            | <b>\$ (6,598)</b> | <b>\$ -</b>      | <b>\$ 121,142</b>              |

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

| <b>Business-type Activities</b>                       | <b>Balance<br/>January 1</b> | <b>Increases</b>   | <b>Decreases</b> | <b>Balance<br/>December 31</b> |
|---|------------------------------|--------------------|------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i>          |                              |                    |                  |                                |
| Land  | \$ 159,703                   | \$ -               | \$ -             | \$ 159,703                     |
| <i>Capital assets being depreciated:</i>              |                              |                    |                  |                                |
| Buildings   | \$ 3,001,928                 | \$ -               | \$ -             | \$ 3,001,928                   |
| Building Improvements                                 | 306,473                      | -                  | -                | 306,473                        |
| Vehicles  | 33,300                       | -                  | -                | 33,300                         |
| Equipment   | 255,108                      | 16,576             | -                | 271,684                        |
| Office Equipment                                      | 10,514                       | -                  | -                | 10,514                         |
| <b>Total Capital Assets, Being Depreciated</b>        | <b>\$ 3,607,323</b>          | <b>\$ 16,576</b>   | <b>\$ -</b>      | <b>\$ 3,623,899</b>            |
| <i>Less Accumulated Depreciation for:</i>             |                              |                    |                  |                                |
| Buildings   | \$ 1,236,633                 | \$ 60,039          | \$ -             | \$ 1,296,672                   |
| Building Improvements                                 | 48,883                       | 16,594             | -                | 65,477                         |
| Vehicles  | 28,620                       | 1,560              | -                | 30,180                         |
| Equipment   | 188,482                      | 16,747             | -                | 205,229                        |
| Office Equipment                                      | 4,205                        | 2,103              | -                | 6,308                          |
| <b>Total Accumulated Depreciation</b>                 | <b>\$ 1,506,823</b>          | <b>\$ 97,043</b>   | <b>\$ -</b>      | <b>\$ 1,603,866</b>            |
| <b>Total Capital Assets Being Depreciated, Net</b>    | <b>\$ 2,100,500</b>          | <b>\$ (80,467)</b> | <b>\$ -</b>      | <b>\$ 2,020,033</b>            |
| <b>Business-type Activities - Capital Assets, Net</b> | <b>\$ 2,260,203</b>          | <b>\$ (80,467)</b> | <b>\$ -</b>      | <b>\$ 2,179,736</b>            |

Depreciation expense for the business-type activity was charged as an operating expense to the Law Enforcement Center fund and activity.

**NOTE 5: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2017 and chargeable to appropriations for the years then ended but paid subsequent to that date.

**NOTE 6: LONG-TERM LIABILITIES**

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in liabilities reported in long-term liabilities:

| <b>Governmental Activities</b> | <b>Balance<br/>January 1</b> | <b>Increases</b> | <b>Decreases</b> | <b>Balance<br/>December 31</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------|------------------------------|------------------|------------------|--------------------------------|--------------------------------|
| Compensated Absences Payable * | \$ 6,115                     | \$ 1,365         | \$ -             | \$ 7,480                       | \$ 1,496                       |

\* - 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.

**LAKE REGION LAW ENFORCEMENT CENTER**

Notes to the Financial Statements – Continued

| <b>Business-Type Activities</b> | <b>Balance<br/>January 1</b> | <b>Increases</b> | <b>Decreases</b> | <b>Balance<br/>December 31</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|------------------------------|------------------|------------------|--------------------------------|--------------------------------|
| Leases Payable                  | \$ 8,819                     | \$ -             | \$ 2,351         | \$ 6,468                       | \$ 2,352                       |
| Compensated Absences Payable *  | 89,621                       | -                | 8,120            | 81,501                         | 16,300                         |
| <b>TOTAL</b>                    | <b>\$ 98,440</b>             | <b>\$ -</b>      | <b>\$ 10,471</b> | <b>\$ 87,969</b>               | <b>\$ 18,652</b>               |

**Capital Leases** - The primary government has entered into lease agreements as lessee for financing the acquisition of one copy machine in 2015 (total principal cost of \$11,759). This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

| <b>BUSINESS-TYPE ACTIVITIES</b>    |                      |                 |
|------------------------------------|----------------------|-----------------|
| <b>Year Ending<br/>December 31</b> | <b>Capital Lease</b> |                 |
|                                    | <b>Principal</b>     | <b>Interest</b> |
| 2018                               | \$ 2,352             | \$ -            |
| 2019                               | 2,352                | -               |
| 2020                               | 1,764                | -               |
| Total                              | \$ 6,468             | \$ -            |

**NOTE 7: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 Law Enforcement Center pays an annual premium to NDIRF for its general liability. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability.

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

The Law Enforcement Center has 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 8: RETIREMENT PLAN**

The Law Enforcement Center participates in a deferred compensation plan from Nationwide Retirement Solutions. Employees are obligated to contribute a minimum of 4% of their gross salary up to IRS allowed maximums, and the Law Enforcement Center will match up to 5%. The Law Enforcement Center's contributions to Nationwide Retirement Solutions the years ending December 31, 2017, 2016, and 2015 were \$37,395, \$42,688 and \$40,644 respectively, equal to the required contributions for the year.

**NOTE 9: SUBSEQUENT EVENT**

In September of 2017, the Law Enforcement Center received an “Order of Temporary Closure and Order Suspending Order of Temporary Closure” from the North Dakota Department of Corrections and Rehabilitation. This was due to new correctional facility standards that were put into effect during 2017. The Law Enforcement Center was in violation of 40 of the new standards. The Order of Suspension will remain in effect through September 1, 2018. It was verbally communicated that most of the standards that the Law Enforcement Center were in violation of have been resolved. However, they have not yet received any official response from the North Dakota Department of Corrections and Rehabilitation.

LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COMBINED E-911/WIRELESS FUND  
For the Year Ended December 31, 2017

|  | Original<br>Budget       | Final<br>Budget          | Actual                   | Variance with<br>Final Budget |
|--|--------------------------|--------------------------|--------------------------|-------------------------------|
| <u>Revenues:</u>                                     |                          |                          |                          |                               |
| 911 Assessments                                      | \$ 449,700               | \$ 496,869               | \$ 527,393               | \$ 30,524                     |
| Interest   | 300                      | 524                      | 524                      | -                             |
| Miscellaneous Income                                 | 250                      | 250                      | 252                      | 2                             |
| Total Revenues                                       | <u>\$ 450,250</u>        | <u>\$ 497,643</u>        | <u>\$ 528,169</u>        | <u>\$ 30,526</u>              |
| <u>Expenditures:</u>                                 |                          |                          |                          |                               |
| Current:   |                          |                          |                          |                               |
| Public Safety  | <u>\$ 450,422</u>        | <u>\$ 453,602</u>        | <u>\$ 463,251</u>        | <u>\$ (9,649)</u>             |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (172)</u>          | <u>\$ 44,041</u>         | <u>\$ 64,918</u>         | <u>\$ 20,877</u>              |
| Fund Balance - January 1                             | <u>\$ 344,761</u>        | <u>\$ 344,761</u>        | <u>\$ 344,761</u>        | <u>\$ -</u>                   |
| Fund Balance - December 31                           | <u><u>\$ 344,589</u></u> | <u><u>\$ 388,802</u></u> | <u><u>\$ 409,679</u></u> | <u><u>\$ 20,877</u></u>       |

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



LAKE REGION LAW ENFORCEMENT CENTER  
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

**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 Combined E-911/Wireless 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 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**

BUDGET AMENDMENTS

The LEC amended the 2017 budget on February 21, 2018 as follows:

|                           | <b>REVENUE</b>  |           |                |
|---------------------------|-----------------|-----------|----------------|
|                           | Original Budget | Amendment | Amended Budget |
| <u>Governmental Fund</u>  |                 |           |                |
| E911 Fund                 | \$ 450,250      | \$ 47,393 | \$ 497,643     |
| <u>Business-Type Fund</u> |                 |           |                |
| LEC                       | 3,891,556       | (330,544) | 3,561,012      |

|                           | <b>EXPENDITURES</b> |           |                |
|---------------------------|---------------------|-----------|----------------|
|                           | Original Budget     | Amendment | Amended Budget |
| <u>Governmental Fund</u>  |                     |           |                |
| E911 Fund                 | \$ 450,422          | \$ 3,180  | \$ 453,602     |
| <u>Business-Type Fund</u> |                     |           |                |
| LEC                       | 3,911,719           | (327,859) | 3,583,859      |

STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division:  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone: (701) 239-7274

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

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lake Region Law Enforcement Center as of and for the year ended December 31, 2017, 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 August 27, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a significant deficiency [2017-001].

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## **LAKE REGION LAW ENFORCEMENT CENTER**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake Region Law Enforcement Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Lake Region Law Enforcement Center's Response to Findings**

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

### **Purpose of this Report**

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

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 27, 2018

LAKE REGION LAW ENFORCEMENT CENTER  
 Devils Lake, North Dakota  
 SUMMARY OF AUDITOR'S RESULTS, FINDINGS, AND RESPONSES  
 For the Year Ended December 31, 2017

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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?   | _____ Yes   | _____ X None noted |
| Significant deficiencies identified not considered to be material weaknesses? | _____ X Yes | _____ None noted   |
| Noncompliance material to financial statements noted?                         | _____ Yes   | _____ X None noted |

**SECTION II - FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2017-001 - Segregation of Duties**

**Condition**

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

**Criteria**

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

**Cause**

Lake Region LEC does not have the size to hire enough staff to effectively segregate all accounting duties.

**Effect**

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

**Recommendation**

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

**Client Response**

The Board of the Lake Region Law Enforcement Center has been aware of this deficiency for several years; however, as noted in the recommendation, due to our size desired segregation is not possible. We have attempted to accommodate the segregation the duties with the change in administration by adjusting duties between the Finance Administrator, Administrative Assistant and clerical staff. We have also separated signatory duties between Board Chairman, Vice Chairman, Operations Administrator, Finance Administrator, and Administrative Assistant in order to provide further segregation.



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

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**GOVERNANCE COMMUNICATION**

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Lake Region Law Enforcement Center, Devils Lake, North Dakota, for the year ended December 31, 2017 which collectively comprise the Law Enforcement Center's basic financial statements and have issued our report thereon dated August 27, 2018. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated July 9, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether Lake Region Law Enforcement Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lake Region Law Enforcement Center's compliance with those requirements.

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

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Region Law Enforcement Center are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**Corrected and Uncorrected Misstatements**

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

| <b>AUDIT ADJUSTMENTS - 2017</b> |    |         |            |
|---------------------------------|----|---------|------------|
| Intergovernmental Receivable    | \$ | 191,936 |            |
| Revenues                        |    |         | \$ 191,936 |
| Expenditures                    |    | 35,184  |            |
| Accounts Payable                |    |         | 35,184     |

**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 August 27, 2018.

**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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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

The following presents our informal recommendations

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**INCORRECT PER DIEM RATE REIMBURSEMENT**

Per review of check 12167 to an employee for meal per diem during travel, the rates being used were \$7.00 for breakfast; \$12.00 for lunch; and \$23 for supper. The correct amounts according to North Dakota Century Code 44-08-04 should be \$7.00 for breakfast, \$10.50 for lunch, and \$17.50 for supper. The trip corresponding for this bill included two lunches that were incorrectly reimbursed at the supper rate. The total bill was \$46 and should have been \$21 had the correct amounts been used.

**LAKE REGION LAW ENFORCEMENT CENTER**  
Governance Communication - Continued

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We recommend that Lake Region Law Enforcement Center comply with NDCC 44-08-04 when reimbursing employees meal per diem for travel.

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This information is intended solely for the use of the Governing Board and management of the 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 the 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 the Law Enforcement Center.

/s/  
Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
August 27, 2018

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