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ANNUAL REPORT

JULY 1, 1988 - JUNE 30, 1989

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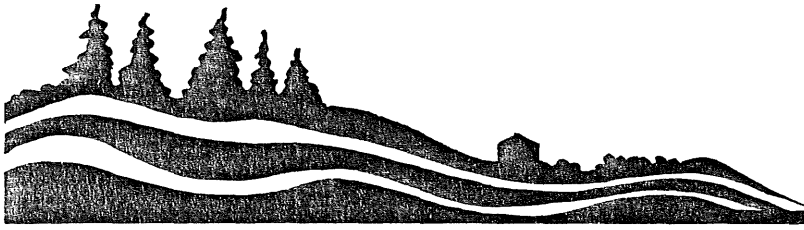
Pursuant to MS 462.393 sd 1

REGION 5 DEVELOPMENT COMMISSION

611 Iowa Avenue
Staples, Minnesota 56479-2224

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Serving Local Communities in Cass, Crow Wing, Morrison, Todd, and Wadena Counties



REGION 5 DEVELOPMENT COMMISSION

611 Iowa Avenue
Staples, Minnesota 56479-2224

Leyten Fontaine, Executive Director

(218) 894-3233

CHAIRMAN'S REPORT

August 1, 1989

As Chairman, I am pleased to report that the Region 5 Development Commission has continued its commitment to provide quality services to the communities in Cass, Crow Wing, Morrison, Todd, and Wadena Counties. The Region 5 Business Loan Fund of \$525,000 has been fully utilized, and efforts are underway to recapitalize it. A great deal of work has been done to secure funding for vital infrastructure needs, in order to strengthen our economic base by attracting new businesses or expanding existing ones.

The Region 5 Development Commission continues to provide a wide variety of technical assistance, ranging from township road recording, zoning ordinances, comprehensive planning, grant-writing assistance, transportation and economic development planning, and special projects. The intent of these efforts is to gradually increase the capabilities of our local communities to help themselves. The many programs for older persons and the increased visibility of our arts program have strongly contributed to these development efforts.

All of us at Region 5 look forward to another year of responsive service to the people we serve.

Sincerely,

A handwritten signature in cursive script, appearing to read "William H. Kern".

William Kern, Chairman
Region 5 Development Commission

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COMMISSION MEMBERSHIP
(As of June 30, 1989)

CASS COUNTY REPRESENTATIVES

*Kenneth Johnson, Staples
David Loch, Lake Shore
Fred Martin, Akeley*

*Board of Commissioners
Municipalities
Town Boards*

CROW WING COUNTY REPRESENTATIVES

*Mary Koep, Brainerd
Donna Good, Pequot Lakes
Drexel White, Brainerd*

*Board of Commissioners
Municipalities
Town Boards*

MORRISON COUNTY REPRESENTATIVES

*Howard Warnberg, Little Falls
Bernadette Stangl, Pierz
Paul Nieman, Jr., Little Falls*

*Board of Commissioners
Municipalities
Town Boards*

TODD COUNTY REPRESENTATIVES

*Stan Sumey, Browerville
Ron Bastian, Bertha
Ernest Kunerth, Long Prairie*

*Board of Commissioners
Municipalities
Town Boards*

WADENA COUNTY REPRESENTATIVES

*Dale Paulsen, Verndale
Roger Anderson, Verndale
William Kern, Verndale*

*Board of Commissioners
Municipalities
Town Boards*

CITY OF BRAINERD REPRESENTATIVE

Charles Widmark, Brainerd

City of Brainerd

COUNCIL OF GOVERNMENTS

*Bill Holmquist, Little Falls
Martin Jennings, Bemidji*

*Council of Governments
Leech Lake Res. Bus. Comm.*

REGION 5 SCHOOL BOARDS

*Richard Decker, Bertha
Ernie Silbernagel, Eagle Bend*

*School Board Representative
School Board Representative*

SPECIAL INTEREST GROUPS

Ted Winkels, Verndale

*Soil & Water Conservation
District*

BOARD OF DIRECTORS
(As of June 30, 1989)

Bill Kern, Chairman
Kenneth Johnson, Vice-Chairman
Dale Paulsen, Secretary
Bill Holmquist, Treasurer
Howard Warnberg, Director
Stan Sumey, Director
Drexel White, Director

STAFF
(As of June 30, 1989)

ADMINISTRATION

Leyten Fontaine, Executive Director
Nancy Stevens, Controller/Executive Assistant
Shelly Stevens, Office Manager/Program Coordinator
Tracy Miller, Secretary/Receptionist

AREA AGENCY ON AGING

Barbara Card, Director
Virginia MacArthur, Senior Planner

ARTS

Virginia MacArthur, Program Manager

COMMUNITY DEVELOPMENT

Roger Bromander, Community Development Planner
Roger Germann, Technical Planner
Mary Safgren, Physical Resource Planner
Lenny Kirscht, Economic Development Planner

ADVISORY COUNCILS
(As of June 30, 1989)

COUNCIL ON AGING

Mary Koep, Brainerd
Isabelle Busby, Remer
Ken Schmidt, Walker
Bethel Peet, Staples
Joyce Tweed, Pequot Lakes
Everall Huff, Brainerd
Frank Sandelin, Long Prairie
Helen Meyer, Pierz
Maryjude Hoeffel, Little Falls
Mabel Chipman, Staples
Ted Kramer, Sr., Long Prairie
Jean Johnson, Staples
Delta Meech, Sebeka
Beryl Etter, Menahga
Bob Landgren, Swanville

REPRESENTING

Chairperson
Seniors
Seniors
Seniors
Seniors
Seniors
Social Services
Seniors
Public Health
Seniors
Seniors
Seniors
Seniors
Seniors
Nutrition Project

COUNTY

Region 5 DC
Cass County
Cass County
Cass County
Crow Wing County
Crow Wing County
Crow Wing County
Morrison County
Morrison County
Todd County
Todd County
Todd County
Wadena County
Wadena County
Morrison County

COMMUNITY DEVELOPMENT COUNCIL

Dave Loch, Lake Shore
Mel Hime, Pillager
Charles Neff, Brainerd
Barb Grove, Crosby
Karla Peterson, Motley
Carrol Peterson, Eagle Bend
Norman Krause, Staples
Larry Nelson, Wadena

REPRESENTING

Chairman
Natural Resources
Small Business
Local Dev. Corps.
Local Units of Gov't
Small Business
Agriculture
Financial Inst.

COUNTY

Region 5 DC
Cass County
Crow Wing County
Crow Wing County
Morrison County
Todd County
Todd County
Wadena County

FIVE WINGS ARTS COUNCIL

Donna Good, Pequot Lakes
Two Vacancies
Christine Nick, Pequot Lakes
Darrell Stave, Brainerd
Mary Gustafson, Brainerd
Marie Lind, Little Falls
Richard Johnson, Little Falls
Donn Harris, Eagle Bend
Annette Sieling, Eagle Bend
Ethel Luukkonen, Sebeka
Kathy Arretche, Sebeka

REPRESENTING

Chairman

Music
Visual Art
Music & Drama
Dance
Drama
Music
Visual Art
Music
Literature

COUNTY

Region 5 DC
Cass County
Crow Wing County
Crow Wing County
Crow Wing County
Morrison County
Morrison County
Todd County
Todd County
Wadena County
Wadena County

TRANSPORTATION COUNCIL

Howard Warnberg, Little Falls
Jim Worcester, Walker
Duane Blanck, Brainerd
Jeff Hulsether, Brainerd
Steve Backowski, Little Falls
Jerry Lochner, Little Falls
Duane Lorsung, Long Prairie
Gene Mattern, Wadena
Don Hubert, Brainerd

REPRESENTING

Chairman
Co. Hwy. Engineer
Co. Hwy. Engineer
Brainerd Engineer
Co. Hwy. Engineer
City Services Mgr.
Co. Hwy. Engineer
Co. Hwy. Engineer
Planning Coord.

COUNTY

Region 5 DC
Cass County
Crow Wing County
Crow Wing County
Morrison County
Morrison County
Todd County
Wadena County
MN/DOT

COMMUNITY DEVELOPMENT

Region 5 continues to provide assistance in the area of grant writing. Preliminary groundwork was provided to Deerwood and Crosby in an effort to obtain Small Cities Development Grants. In addition, several communities requested information regarding the feasibility of Small Cities projects within their community.

Region 5 staff are currently working on community development planning grants to the Central Minnesota Initiative Fund for Pillager Helping Hands and for the Eagle Bend Project Concern Teen Center.

Region 5 also assists communities in financing recreational facilities through the Outdoor Recreation Grants Program. Informational assistance was provided to several communities within Region 5.

The Commission facilitated a brainstorming session for the City of Wadena to generate goals and policies for an application to the Governor's design team.

Region 5 staff developed a Zoning Ordinance for the City of Verndale and is currently reviewing the Hackensack Zoning Ordinance.

The Morrison County Comprehensive Plan was completed and work is currently in progress on the Staples Comprehensive Plan.

PROGRAMS FOR OLDER PERSONS

The Minnesota Board on Aging has designated the Region 5 Development Commission as the official Area Agency on Aging for Cass, Crow Wing, Morrison, Todd and Wadena Counties. As such, the primary mission of the Region 5 Area Agency on Aging is to plan, coordinate, and advocate for the development of a comprehensive service delivery system to meet the short and long-term needs of older persons. The Area Agency on Aging's responsibility is to ensure that the genuine needs of older persons are being served in a cost effective and equitable manner.

To guide its activities, the Region 5 Area Agency on Aging has prepared a four-year plan, 1987-1990. Based on the priorities established in this plan, Table 1 shows the services which are projected for 1989.

TABLE 1

SERVICES PROVIDED IN 1989

	<u>NUMBER OF UNITS</u>	<u>NUMBER OF UNDUPLICATED PARTICIPANTS</u>
Congregate Meals	191,232 meals	5,157
Home Delivered Meals	<u>94,200</u> meals	<u>837</u>
SUB-TOTAL	285,432	5,994
Homemaker	10,258 hours	257
Home Health Aide	15,498 hours	204
Hospice	3,040 hours	10
Service Coordination	6,836 hours	1,290
Outreach	<u>250</u> hours	<u>670</u>
SUB-TOTAL	35,882	5,349
Ombudsman	1,785 hours	23
Legal Education	2,680 hours	1,340
Legal Services	<u>1,527</u> hours	<u>320</u>
SUB-TOTAL	5,992	1,683
TOTAL	327,306	13,026

The activities of the Region 5 Area Agency on Aging are guided by a fifteen member advisory Council on Aging. The Council on Aging is comprised of representatives for older persons and service providers. They develop policies and priorities, recommend action on grant applications and conduct the Annual Conference on Aging.

The Region 5 Development Commission takes final action on major policy decisions, budget approvals, and grant awards. The total project costs for the grants awarded by the Region 5 Development Commission annually amount to approximately \$1.4 million. Table 2 identifies the type of funds used to finance a wide array of services:

TABLE 2
FUNDS DISTRIBUTED IN 1989

<u>SERVICE</u>	<u>FEDERAL FUNDS</u>	<u>STATE FUNDS</u>	<u>COUNTY FUNDS/ IN-KIND</u>	<u>PRIVATE FUNDS/ IN-KIND</u>
Congregate Meals	\$354,988	\$102,672		\$253,047
Home Delivered Meals	<u>100,672</u>		\$ <u>5,285</u>	<u>79,434</u>
SUB-TOTAL	\$455,660	\$102,672	\$ 5,285	\$332,481
Homemaker	\$ 53,240		\$ 53,239	
Home Health Aide	78,007		78,008	
Hospice	8,569		15,928	
Service Coordination	29,560		38,954	
Outreach	<u>675</u>		<u>2,025</u>	
SUB-TOTAL	\$170,051		\$188,154	
Ombudsman	\$ 7,335			\$ 2,480
Legal Education	19,573			16,760
Legal Services	<u>10,629</u>			<u>9,692</u>
SUB-TOTAL	\$ 37,537			\$ 28,932
TOTAL	\$663,248	\$102,672	\$193,439	\$361,413

Several important projects and activities were either initiated or completed during the year. The 7th Annual Conference, "Rejuvenate in '88" held in Brainerd, was attended by a crowd of 250 persons. Bernice Eggert delivered the keynote address entitled "Today is the Best Day of Life", which was followed by concurrent workshops.

Quarterly, the Region 5 Area Agency on Aging draws together the presidents of the County Councils on Aging, County Coordinators on Aging, and other appropriate providers. The purpose of these meetings is to share information, coordinate our activities, and form another necessary link between the Area Agency on Aging and the individual counties.

ECONOMIC DEVELOPMENT

The Economic Development staff wrote a preliminary and final application to EDA for the City of Browerville for sanitary sewer system improvements. In addition, preliminary applications to EDA were also written for infrastructure improvements for Crow Wing County, Deerwood and Lake Edwards Township. The staff also assisted Long Prairie in applying for Public Works funding from EDA.

The staff supported the work of the loan fund corporation, the North Central Economic Development Association, Inc., which has approved 7 loans totaling \$212,750.00.

Staff worked with businesses, individuals, development corporations, and communities in Region 5 to structure financial packaging and provide technical assistance in start-up and expansion projects.

Staff participated in the update of the 1989 Overall Economic Development Plan for 1989.

Economic Development staff was involved in planning for the proposed Business Innovation Center which will serve an area including Region 5.

Economic Development staff served as the private sector participant during the Staples Star City Marketing Team and Wadena Star City Marketing Team presentations to representatives from the MN Department of Trade and Economic Development.

Staff participated in meeting to develop a Todd County Development Corporation, identifying needs of the area, direction, goals and objectives to be accomplished by such an organization.

Staff met with Pine River Development Corporation regarding possible uses for the former Durkee Company facilities.

MINNESOTA MARKETPLACE: Minnesota Marketplace is an economic development program designed to create jobs and retain dollars in the local economy. We do this by helping businesses find local suppliers for the goods and services they are currently or will be purchasing in the next year. This program began in May, 1987 at Region 5 Development Commission and transferred to the Small Business Development Centers on March 1, 1989.

PHYSICAL RESOURCES

The Commission, through its Transportation Council (TC), has continued to monitor local, state, and federal transportation programs and legislation that have regional significance. It also acts as a liaison between the Minnesota Department of Transportation and the legislature on transportation issues in Region 5.

Region 5 has continued to assist counties in developing their solid waste management plans. The Wadena Solid Waste Management Plan was completed in April, 1989.

Region 5 has provided communities, counties and individuals census information through its role as a Census Data Affiliate. In addition, Region 5 became a member of the Economic Business Information Network, which makes it possible for the Commission to provide business statistics, as well as census information.

Region 5 began developing the Region 5 Resource Map, which is a two-year project. A region-wide survey was completed, providing information about local attractions.

LOCAL GOVERNMENT ASSISTANCE: Townships continue to receive assistance in re-recording their roadway easements through the Region 5 Road Recording Program. Region 5 updates fire department and township fire maps, and city and township street, zoning and other specialty maps. Twenty-two townships have completed re-recording roadway easements and four others are in various stages of completion. Several governmental units have had fire maps constructed or revised in the past year, and one revised a zoning map.

CULTURAL ACTIVITIES

The Region 5 Arts Program awarded \$35,355 in FY89. This included \$6,800 of McKnight Foundation funds for semi-professional arts organizations. Also awarded was \$28,555 of Minnesota State Arts Board grant funds for sponsorship or arts development in Region 5. The organizations which received these funds are listed in Tables 1 and 2.

TABLE 1
MCKNIGHT FOUNDATION FUNDS AWARDED

```
*****
AGENCY                                AMOUNT
                                     FUNDED
St. Francis Music Center             $2,000
Wadena Area Concert Band              600
Heartland Symphony Orchestra         3,015
Prairie Arts Council                 1,185

TOTAL                                $6,800
*****
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TABLE 2
MINNESOTA STATE ARTS BOARD FUNDS

```
*****
AGENCY                                AMOUNT
                                     FUNDED
Pequot Lakes Community Education     $2,500
Eagle Valley School                  3,000
Heartland Symphony Orchestra         1,500
St. Francis Music Center             3,500
Brainerd Community Education         2,850
Little Falls Community Services      4,732
Brainerd Area Arts Alliance          2,000
Prairie Arts Center                  2,931
Brainerd Community College           800
Bertha-Hewitt School                 1,334
Staples Men's Chorus                 300
Wadena Fine Arts Committee           913
Hole-in-the-Day Players              1,700
Staples School                       495

TOTAL                                $28,555
*****
```

The Region 5 Arts Program staff provides technical assistance to individuals and groups on such matters as grants writing, availability of funds, resource lists, and other technical help with arts projects.

It also produces a monthly newsletter about arts activities of interest to people of the region.

COORDINATION

During Fiscal Year 1989, Region 5 has contracted with other agencies for the provision of basic administrative services. Those services include but are not limited to the following:

CASS-TODD-WADENA-MORRISON COMMUNITY HEALTH SERVICES: The Cass-Todd-Wadena-Morrison Community Health Services Board of Health has contracted with Region 5 for the provision of administrative services which includes basic clerical services, meeting notices, minutes, and financial reporting requirements. These services are provided on an ongoing basis.

SOIL & WATER CONSERVATION DISTRICT: The Minnesota Department of Agriculture contracts with Region 5 to provide to the District Office of the Soil & Water Conservation Board basic clerical and telephone answering services. These services include miscellaneous typing, newsletter production and telephone service.

BLOCK GRANT ADMINISTRATION: During FY89 Region 5 had contracts with the cities of Pillager, Sebeka and Buckman for administrative services related to the Small Cities Development Grants they received. The services include basic administration of the grants relating to environmental concerns, Davis-Bacon laws, fair housing, and equal opportunity requirements as well as financial services including accounting requests for cash and payment of bills, and quarterly reporting and assistance with audits.

REGION 5 LEGISLATIVE MEETINGS: The Counties of Cass, Crow Wing, Morrison, Todd and Wadena have enlisted the services of Region 5 to coordinate meetings between the five county boards and the area legislators on a bi-monthly basis. The purpose of the meetings are to share information and provide input on Region-wide concerns. These services include meeting notices, minutes and forwarding of resolutions and other concerns to state agencies and legislature.

INFORMATIONAL SERVICES

Region 5 Development Commission is a Regional Information Center for many types of information including but not limited to management and administration, community development, economic development, transportation, health issues, programs for older persons, cultural activities and census data.

The information is available through various methods including a library, a computer modem linking Region 5 with the data-net service bank at the state level, referrals and two newsletters published and distributed on at least a bi-monthly basis by Region 5.

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES BREAKDOWN
FISCAL YEAR 1990

<u>REVENUES</u>	<u>FY1989 BUDGET</u>	<u>FY1990 BUDGET</u>	<u>DIFFERENCE</u>
State Planning	\$ 41,808	\$ 41,808	\$ 0
Technical Assistance	26,867	15,000	-11,867
Soil & Water	1,900	0	-1,900
Local Levy	59,879	91,473	+21,594
Interest Income	6,500	6,000	-500
In-Kind	1,200	1,200	0
EDA	57,732	50,000	-7,732
MSAB	15,652	17,965	+2,313
McKnight Foundation	27,569	1,200	-26,369
MBA	64,558	74,801	+10,243
MN/DOT	25,000	27,000	+2,000
Community Health Services	12,765	12,205	-560
Blandin Foundation	19,717	0	-19,717
North Central EDA, Inc.	9,567	9,703	+136
 SUBTOTAL PROGRAM REVENUES	 \$ 380,714	 \$ 348,355	 \$ -32,359
 <u>DIRECT ASSISTANCE</u>			
Aging	\$ 825,000	\$ 825,000	\$ 0
Arts	33,585	31,272	-2,313
RLF	270,000	0	-270,000
 SUBTOTAL DIRECT	 \$1,128,585	 \$ 865,272	 \$ 272,313
 TOTAL AGENCY	 \$1,509,299	 \$1,204,627	 \$-304,672

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES BREAKDOWN
FISCAL YEAR 1990

<u>EXPENDITURES</u>	<u>FY1989 BUDGET</u>	<u>FY1990 BUDGET</u>	<u>DIFFERENCE</u>
Salaries	\$ 149,555	\$ 132,320	\$-17,235
Benefits 27.5%	46,819	36,394	-10,425
SUBTOTAL PERSONNEL	\$ 196,374	\$ 168,714	\$ -27,660
Consultant	0	0	0
Staff Travel	18,950	13,750	-5,200
Committee Travel	2,675	2,435	-240
Commission Travel	7,000	7,000	0
Interest Expense	600	600	0
Commission Fringe	500	550	+50
Repro & Printing	1,600	500	-1,100
Per Diem	11,000	11,000	0
Rent	5,350	4,066	-1,284
Staff Car	3,560	3,560	0
Books, Reports & Memb.	2,700	2,300	-400
Insurance	3,500	3,500	0
Miscellaneous	4,050	2,350	-1,700
Equipment	16,500	2,600	-13,900
Postage	575	200	-375
Supplies	2,000	1,000	-1,000
Conferences	700	700	0
Maintenance	250	-	-250
Lease: Equipment	250	-	-250
Cost Pool	119,544	135,725	+16,181
In-Kind	1,200	1,200	0
Debt Service	4,812	5,800	+988
SUBTOTAL PROGRAM	\$ 403,690	\$ 367,550	\$ -36,140
<u>DIRECT ASSISTANCE</u>			
Area Agency on Aging	\$ 825,000	\$ 825,000	\$ 0
Arts	33,585	31,272	-2,313
RLF	270,000	-	-270,000
SUB-TOTAL DIRECT ASSISTANCE	\$1,128,585	\$ 856,272	\$-272,313
TOTAL AGENCY BUDGET	\$1,532,275	\$1,223,822	\$-308,453
Excess Revenues Over (Under) Expenditures	(\$ 22,976)	(\$ 19,195)	(\$ +3,781)
Fund Balance 7/1/87	127,623	104,647	-22,976
Fund Balance 6/30/88	\$ 104,647	\$ 85,452	\$ -19,195

PROJECT REVIEW SYSTEM

ANNUAL SUMMARY FISCAL YEAR 1989

COUNTY: CASS

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Farmer's Home Administration	3	\$2,074,983.00
MN Department of Health	1	N/A
MN Department of Transportation	4	182,743.42

COUNTY: CROW WING

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
ACTION	1	\$ 31,855.00
Dept. of Trade & Economic Development	4	705,075.00
Economic Development Administration	2	453,300.00
Environmental Protection Agency	1	1,508,563.00
Farmer's Home Administration	2	1,508,600.00
MN Department of Transportation	4	247,825.00
MN Department of Health	1	N/A
Waste Management Board	1	2,000,000.00

COUNTY: MORRISON

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Department of Jobs & Training	1	\$ 9,375.00
Dept. of Trade & Economic Development	1	26,297.50
MN Department of Health	1	N/A
MN Department of Transportation	2	150,028.00
Urban Mass Transit Administration	1	21,252.00

COUNTY: TODD

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Dept. of Trade & Economic Development	2	\$ 18,750.00
Economic Development Administration	2	750,000.00
Environmental Protection Agency/ MN Pollution Control Agency	1	386,000.00
Farmer's Home Administration	1	496,000.00
MN Department of Health	1	N/A
U.S. Dept. of Agriculture/ Farmer's Home Administration	1	895,000.00

COUNTY: WADENA

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Environmental Protection Agency	1	\$2,219,109.00
MN Department of Health	1	N/A
MN Department of Transportation	1	80,000.00

COUNTY: REGION-WIDE/MULTI-COUNTY

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Economic Development Administration	1	\$ 50,000.00



ARNE H. CARLSON
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR
SUITE 400
525 PARK STREET
SAINT PAUL 55103

296-2551

AUDITOR'S COMPLIANCE REPORT BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STANDARDS FOR AUDIT ISSUED BY THE GAO

The Honorable Stan Sumey, Chairman
Region 5 Development Commission
611 Iowa Avenue
Staples, Minnesota 56479

We have audited the general purpose financial statements of Region 5 Development Commission for the year ended June 30, 1988, and have issued our opinion thereon dated November 3, 1988. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, as promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. § 6.65 (1986). Accordingly the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Region 5 Development Commission is responsible for the Commission's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the Region 5 Development Commission's compliance with laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements of the Commission.

The results of our tests indicate that for the items tested, the Region 5 Development Commission complied with those laws and regulations noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the Commission was not in compliance with laws and regulations noncompliance with which could have material effect on the Commission's general purpose financial statements.

The Minnesota Legal Compliance Audit Guide for Local Government covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories. The results of our tests indicated that for the items tested the Commission complied with material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit, nothing came to our attention to indicate that the Commission had not complied with such legal provisions.

* * * * *

This letter is intended solely for the use of Region 5 Development Commission, the cognizant audit agency--U.S. Department of Commerce, and other federal audit agencies. It should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.



ARNE H. CARLSON
State Auditor

November 3, 1988



ARNE H. CARLSON
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR
SUITE 400
525 PARK STREET
SAINT PAUL 55103

296-2551

AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Honorable Stan Sumey, Chairman
Region 5 Development Commission
611 Iowa Avenue
Staples, Minnesota 56479

We have audited for financial statements of Region 5 Development Commission for the year ended June 30, 1988, and have issued our opinion thereon dated November 3, 1988. This letter resulting from part of that audit is organized into sections on internal accounting control and management practices.

INTERNAL ACCOUNTING CONTROL

As part of our audit, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Receipts/revenues
Disbursements/expenditures (including payroll)
Cash management

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Commission's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Commission is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described above will not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Commission taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we consider to be a material weakness.

MANAGEMENT PRACTICES

As part of our audit, we also reviewed certain management practices. Our review was not a detailed study of every system, procedure, and transaction. Accordingly, the item presented here may not be all-inclusive of areas where improvement may be needed.

ITEM ARISING THIS YEAR

EDA Revolving Loan Reports (CFDA Number 11.307)

In September 1986, Region 5 Development Commission was awarded a grant (EDA No. 06-39-02168) under the Long-Term Economic Deterioration Implementation provisions of the amended Public Works and Economic Development Act of 1965. On October 28, 1986, Region 5 Development Commission transferred much of the financial and administrative duties of the EDA-Revolving Loan fund to the North Central Economic Development Association, Inc., (Corporation).

Under the terms of the loan agreement with EDA, Region 5 is required to submit quarterly federal transaction reports (form 272 7-76) and semi-annual revolving loan fund progress reports (no form number). To prepare these reports the Commission must obtain financial data from the Corporation. The Corporation is not a part of the Commission or a component unit of Region 5 reporting entity as defined by generally accepted accounting principles.

We recommend that the Corporation submit signed and approved quarterly or semi-annual reports to the RDC and that these reports form the basis for the reports required to be submitted to EDA. We further recommend that the Corporation furnish the RDC with an audit report to verify the interim reports.


Client's Response:

Region 5 Development Commission will develop a reporting form to be filed with Region 5 by the North Central Economic Development Association, Inc. (RFL subgrantee). This form will reconcile actual revenues paid to NCEDA, Inc., versus the required EDA report which indicates only loans closed at that point in time at which the reporting period ends. This report will be signed by the authorized official of NCEDA, Inc., and submitted on a quarterly basis to Region 5 Development Commission. The audit of NCEDA, Inc., is now in progress.

* * * * *

We are available throughout the year to assist you in implementing any of our suggestions.

We would like to express our appreciation to the Commission and the staff for their cooperation and assistance during the audit.


ARNE H. CARLSON
State Auditor

November 3, 1988



STATE OF MINNESOTA

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SUITE 400
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SAINT PAUL 55103

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STATE AUDITOR

296-2551

AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO MAJOR AND NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Honorable Stan Sumey, Chairman
Region 5 Development Commission
611 Iowa Avenue
Staples, Minnesota 56479

We have audited the general purpose financial statements of the Region 5 Development Commission for the year ended June 30, 1988, and have issued our opinion thereon dated November 3, 1988. Our audit was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

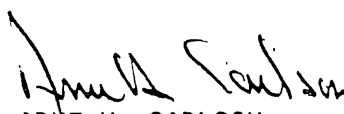
The management of Region 5 Development Commission is responsible for compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from each major and nonmajor federal financial assistance program. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Region 5 Development Commission had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

In our opinion for the year ended June 30, 1988, Region 5 Development Commission administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

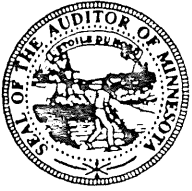
The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested the Commission complied with the laws and regulations referred to above. Our testing was more limited than would be necessary to express an opinion on whether Region 5 Development Commission administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the Commission had not complied with laws and regulations.

* * * * *

This letter is intended solely for the use of Region 5 Development Commission, the cognizant audit agency--U.S. Department of Commerce, and other federal audit agencies; it should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


ARNE H. CARLSON
State Auditor

November 3, 1988



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296-2551

AUDITOR'S REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)
BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT
OF THE GENERAL PURPOSE FINANCIAL STATEMENTS AND THE
ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

The Honorable Stan Sumey, Chairman
Region 5 Development Commission
611 Iowa Avenue
Staples, Minnesota 56479

We have audited the general purpose financial statements of the Region 5 Development Commission for the year ended June 30, 1988, and have issued our opinion thereon dated November 3, 1988. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

Receipts/revenues
Disbursements/expenditures
(including payroll)
Cash management

Administrative Controls

Indirect cost allocation system
Federal grant eligibility
Cash management
Civil rights
Davis-Bacon Act
Political activity
Federal financial reports

The management of the Region 5 Development Commission is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended June 30, 1988, Region 5 Development Commission expended 100 percent of its total federal financial assistance under the following major and nonmajor federal financial assistance programs:

Area Agency on Aging	
USDA reimbursement	10.550
Administration and direct service	13.633
Social services	13.635
Economic Development	
Administration	11.302
Revolving loan fund	11.307

With respect to internal control systems used in administering these major and nonmajor federal financial assistance programs, our study and evaluation included:

- considering the types of errors and irregularities that could occur,
- determining the internal control procedures that should prevent or detect such errors and irregularities,
- determining whether the necessary procedures are prescribed and are being followed satisfactorily, and
- evaluating any weaknesses.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Region 5 Development Commission.

Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Region 5 Development Commission. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Region 5 Development Commission.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation disclosed no conditions that we believed to be a material weakness in relation to the federal financial assistance programs of Region 5 Development Commission.



ARNE H. CARLSON
State Auditor

November 3, 1988