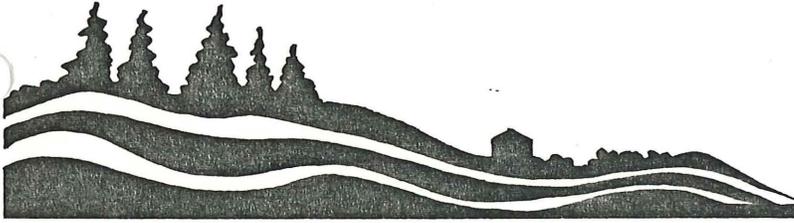


REGION 5 DEVELOPMENT COMMISSION

ANNUAL REPORT

JULY 1, 1990 - JUNE 30, 1991



REGION 5 DEVELOPMENT COMMISSION

611 Iowa Avenue
Staples, Minnesota 56479-2224

Leyten Fontaine, Executive Director

TEL: (218) 894-3233 FAX: (218) 894-1328

CHAIRMAN'S REPORT

August 1, 1991

Although I am the newly-elected Chairman of the Region 5 Development Commission, I have served for over twelve years on the Commission as a township representative for Cass County. In this capacity, I have been able to observe the continued development of Region 5 as a valuable asset for the local units of government in Cass, Crow Wing, Morrison, Todd, and Wadena counties.

It is my opinion that the Region 5 Development Commission has been very successful in positioning itself to provide the kinds of development assistance that are required by the local units of government in our region. This is not easy to manage, but I believe our efforts in several areas are bearing fruit. Our activities in promoting arts development and in providing needed programs for older persons are well received. The Business Loan Fund administered by Region 5 has been effective in retaining and creating employment opportunities, as has been our efforts to secure funding for needed industrial development. The road recording and various mapping projects continue to benefit our townships and our recent efforts in conducting workshops on things like Basic Planning, Wetlands/Lowlands, Gravel Road Maintenance, and OSHA Rules have been useful for all governmental units.

As times and needs change, so will our activities as a Development Commission. All of us at Region 5 look forward to another year of providing the kinds of assistance that our local units of government have come to expect from us.

Sincerely,

A handwritten signature in cursive script that reads "Fred Martin". The signature is written in dark ink and is positioned above the printed name.

Fred Martin, Chairman
Region 5 Development Commission

TABLE OF CONTENTS

	<u>PAGE</u>
COMMISSION MEMBERSHIP.....	1
BOARD AND STAFF.....	2
ADVISORY COUNCILS	
Region 5 Council on Aging.....	3
Community Development Council.....	3
Five Wings Arts Council.....	3
Transportation Council.....	3
PROGRAM COORDINATION/INFORMATION.....	4
PROGRAMS FOR OLDER PERSONS.....	5
CULTURAL ACTIVITIES.....	7
COMMUNITY DEVELOPMENT.....	9
ECONOMIC DEVELOPMENT.....	10
PHYSICAL RESOURCES.....	11
TECHNICAL PLANNING.....	12
BUDGET SUMMARY REVENUES.....	13
BUDGET SUMMARY EXPENDITURES.....	14
PROJECT REVIEW SUMMARY.....	15
AUDITOR'S LETTER.....	17

COMMISSION MEMBERSHIP
(As of June 30, 1991)

CASS COUNTY REPRESENTATIVES

Kenneth Johnson, Staples
Newell Ellis, Walker
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
Don Thiel, Staples

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

Gene Goedker, 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

William Higgs, Wadena
Kent Eveland, Backus

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Ted Winkels, Verndale

Soil & Water Conservation
District

BOARD OF DIRECTORS
(As of June 30, 1991)

Fred Martin, Chairman
Drexel White, Vice-Chairman
Dale Paulsen, Secretary
Bill Holmquist, Treasurer
Howard Warnberg, Director
Stan Sumey, Director
Ken Johnson, Director

STAFF
(As of June 30, 1991)

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

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

ADVISORY COUNCILS
(As of June 30, 1991)

COUNCIL ON AGING

William Kern, Verndale
Isabelle Busby, Remer
Kay Rice, Backus
Richard Ashmun, Merrifield
Everall Huff, Brainerd
Frank Sandelin, Long Prairie
Faith Arboleda, Pine River
Nellie Zacharda, Motley
Mabel Chipman, Staples
Jean Johnson, Staples
Delta Meech, Sebeka
Hilda Suhl, Verndale
Karen Nelson, Wadena

REPRESENTING

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

COUNTY

Region 5 DC
Cass County
Cass County
Crow Wing County
Crow Wing County
Todd County
Tri-County CAP
Morrison County
Todd County
Todd County
Wadena County
Wadena County
Wadena County

COMMUNITY DEVELOPMENT COUNCIL

Ron Bastian, Bertha
Charles Neff, Brainerd
Karla Peterson, Motley
Norman Krause, Staples
Larry Nelson, Wadena
Andrew Huhta, Wadena
Tom Godfrey, Backus

REPRESENTING

Chairman
Small Business
Local Units of Gov't
Agriculture
Financial Inst.
Small Business
Small Business

COUNTY

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

FIVE WINGS ARTS COUNCIL

Mary Koep, Brainerd
Betty Green, Hackensack
Dorothy Harrington, Hackensack
Christine Nick, Pequot Lakes
Darrell Stave, Brainerd
Mary Gustafson, Brainerd
Marie Lind, Little Falls
Robyn Gray, Little Falls
Donn Harris, Eagle Bend
Annette Sieling, Eagle Bend
Ethel Luukkonen, Sebeka
Kathy Arretche, Sebeka

REPRESENTING

Chairperson
Visual Arts
Music
Music
Visual Art
Music & Drama
Dance
Drama
Music
Visual Art
Music
Literature

COUNTY

Region 5 DC
Cass County
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

Dale Paulsen, Verndale
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

COORDINATION

During Fiscal Year 1991, 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.

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.

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 two-year plan, 1991-1992. Based on the priorities established in this plan, Table 1 shows the services which are projected for 1991.

TABLE 1 - SERVICES PROVIDED IN 1991

	<u>NUMBER OF UNITS</u>	<u>NUMBER OF UNDUPLICATED PARTICIPANTS</u>
Congregate Meals	200,000 meals	5,300
Home Delivered Meals	<u>98,050 meals</u>	<u>1,165</u>
SUB-TOTAL	298,050	6,465
Homemaker	9,773 hours	1,016
Home Health Aide	8,682 hours	181
Outreach	<u>2,388 contacts</u>	<u>464</u>
SUB-TOTAL	20,843	1,661
Ombudsman	1,785 hours	23
Legal Education	356 hours	600
Legal Services	<u>900 cases</u>	<u>204</u>
SUB-TOTAL	3,041	827
Hackensack Senior Center	n/a	150
Emily Senior Center	n/a	150
Grey Eagle Senior Center	<u>n/a</u>	<u>100</u>
SUB-TOTAL	n/a	400
Frail Elderly	1,324 hours	15
TOTAL	323,258	9,368

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 1991

<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	\$374,448	\$102,672		\$281,778
Home Delivered Meals	<u>126,257</u>	<u>10,244</u>	\$ 5,253	<u>121,620</u>
SUB-TOTAL	\$500,705	\$112,916	\$ 5,253	\$403,398
Housekeeping	\$ 77,668		\$ 77,668	
Home Health Aide	49,512		49,512	
Assessment/Screening	12,820		12,820	
Outreach	<u>16,649</u>		<u>16,649</u>	
SUB-TOTAL	\$156,649		\$156,649	
Ombudsman	\$ 7,335			\$ 2,480
Legal Education	2,000			2,000
Legal Services	<u>12,000</u>		\$ 150	<u>12,000</u>
SUB-TOTAL	\$ 21,335		\$ 150	\$ 16,480
Hackensack Senior Cntr.	\$ 5,000			\$ 2,124
Emily Senior Center	4,500			1,500
Grey Eagle Senior Cntr.	<u>4,500</u>			<u>1,500</u>
SUB-TOTAL	\$ 14,000			\$ 5,124
Frail Elderly	\$ <u>8,039</u>		\$ <u>8,039</u>	
TOTAL	\$700,728	\$112,916	\$170,091	\$425,002

Several important projects and activities were either initiated or completed throughout the year. The 9th Annual Conference entitled "1990 Changes and Choices" was held in Long Prairie. Concurrent workshops included: Humanities studies by older persons; New Ways to Fish; Dance Type Exercise; Tips on Investing Your Money; Ways to Identify Local Birds; Information on Recycling; etc.

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.

CULTURAL ACTIVITIES

The Region 5 Arts Program awarded \$38,683 in FY91. This included \$6,800 of McKnight Foundation funds for semi-professional arts organizations. Also awarded was \$31,883 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
MINNESOTA STATE ARTS BOARD FUNDS**

<u>AGENCY</u>	<u>AMOUNT FUNDED</u>
Heartland Symphony	\$ 250
Brainerd Writer's Alliance	200
Wadena Schools Fine Arts Committee	620
Our Lady of Lourdes	1,850
Madhatters	3,000
Community Services Little Falls	1,000
Prairie Arts Center	714
Prairie Arts Center	597
Prairie Arts Center	107
Prairie Arts Center	324
Staples Area Men's Chorus	825
Brainerd Youth Orchestra	1,200
Heartland Symphony	1,200
Wadena Fine Arts Committee	430
St. Francis Music Center	3,000
Prairie Arts Center	170
Staples School	590
Eagle Valley CAPP	2,390
Pine River Community Education	816
Wadena Agriculture Society	255
Heartland Symphony Orchestra	3,500
City of Verndale	695
Wadena Area Band	800
Long Prairie Chamber of Commerce	150
Browerville Lions	400
Brainerd Community College	2,000
Brainerd Area Arts Alliance	3,700
City of Menahga	300
Hole in the Day Players	800
TOTAL	\$31,883

**TABLE 2
MCKNIGHT FOUNDATION FUNDS AWARDED**

<u>AGENCY</u>	<u>AMOUNT FUNDED</u>
Staples School	\$2,257
Brainerd Youth Orchestra	250
Heartland Symphony Orchestra	1,600
Wadena Fine Arts Committee	553
Staples School District	590
Hole in the Day Players	550
Brainerd Public Library	<u>1,000</u>
TOTAL	\$6,800

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.

COMMUNITY DEVELOPMENT

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

The Pequot Lakes Zoning Ordinance is currently under final review and is expected to be adopted by the City Council in August.

Region 5 staff provided grant writing assistance to Deerwood Township which resulted in the City receiving a \$50,000 IRRRB grant for the construction of a town hall/maintenance shop.

The final draft of the Staples Comprehensive Plan was adopted in October. Region 5 staff also provided technical assistance in preparing a comprehensive plan for Crow Wing Township. Mapping assistance will be provided in conjunction with the plan. The plan is currently under review by the Town Board.

Region 5 staff are currently in the process of planning for a seminar on the basics of planning to be held this fall.

A region-wide community needs survey was conducted. The information is currently being tabulated and a final report showing the results is also being prepared.

Region 5 staff prepared and submitted a grant application for funding under the Rural Rehabilitation Pilot Project Program. Staff are currently in the process of revising the application to be re-submitted for review.

Technical and informational assistance was provided to communities in each of the five counties of the Region 5 service area.

Staff has worked with and under the direction of the Community Development Council.

ECONOMIC DEVELOPMENT

The Economic Development staff successfully wrote final applications to the U.S. Economic Development Administration for the Cities of Motley and Royalton for infrastructure improvements to facilitate industrial expansion. A preliminary application to EDA was written on behalf of the City of Ironton for development of an industrial park. Staff is currently working with several communities on projects which may utilize EDA funding.

Region 5 completed an application to EDA requesting \$300,000 for recapitalization of the Region 5 Business Loan Fund. The grant will be matched by \$100,000 which was raised locally for a total recapitalization of \$400,000.

The North Central Economic Development Administration, Inc., administrator of the Region 5 Business Loan Fund, approved seven (7) loans totalling over \$124,000 for local business development.

Businesses, individuals, development corporations, and local units of government in Region 5 were assisted to structure financial packaging and development strategies to foster business start-up and expansion activity.

The update of the Overall Economic Development Plan for 1991 was completed.

Information and assistance was provided to Crooked Lake Township residents pursuing economic and community development in their area.

A workshop was held to illustrate how Economic Census Data can be used to assist in local development efforts.

Staff presented information on the Region 5 Business Loan Fund and the Region 5 Economic Development Program at various functions such as the CREDI Lender's Seminar and the Little Falls Chamber of Commerce Business Committee.

Information was gathered which was used to develop profiles of Region 5 Industrial Parks.

PHYSICAL RESOURCES

The Commission, through its Transportation Council (TC), has continued to monitor local, state, and federal transportation legislation which has regional significance. The Transportation Council also works with the Minnesota Department of Transportation to carry out transportation programs.

Staff served on various transportation committees including the Minnesota Transportation Alliance, the Governor's Transportation Safety Advisory Council and the Center for Transportation Studies Economic Council in order to provide input on transportation issues.

Technical assistance was provided in transit planning. A 16(b)(2) application was completed for the Staples Area Health Corporation. Work continued on developing a Region 5 16(b)(2) Monitoring Program.

Through the Environmental Quality Board's Environmental Review Program, environmental impacts of projects in Region 5 were monitored. Staff disseminated information on environmental issues including solid waste management, water quality and wetlands preservation. Census information was provided to communities, counties and individuals through Region 5's role as a Census Data Affiliate. In addition, Region 5 continued to provide information through the Economic Business Information Network (EBIN) and the State's computerized database called DATANET. An Economic Census Workshop was held for economic development staff from local units of government.

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.

TECHNICAL PLANNING

Local Units of Government (LUGs) continue to be assisted by Region 5 through its Technical Planning Program. Planning is coordinated with the Transportation Council, and this program provides special services directly to townships, with services to all LUGs in conjunction with our Physical Resource, Economic Development, and Community Development Planning programs.

A major ongoing area of service is the Township Road Recording Program which assists townships in the proper recording of town road easements. A spin-off benefit to townships is the development of improved methods of governing their local jurisdictions based on Township Association guidelines. Specific projects are completed on a contract basis.

Fire Service Districts and townships continue to be served through our Fire Number Location Mapping Program. Consultation services and map planning techniques are provided as requested. Fire Number Map Revision projects are completed on a contract basis.

Planning and Zoning Maps have been completed as requested. The expansion of planning and zoning into townships has created additional calls for information, advice regarding technical information for LUGs decision-making regarding future zoning needs.

Our program efforts toward townships is greatly enhanced by an expanding working relationship with the Minnesota Association of Townships which helps both Region 5 and the Association. Staff continues to offer consultation to other Regional Development Commissions regarding township issues and state-wide township programs including the Association format for recording town roads, special parks and lake access funding sources for town road construction and improvements.

Staff has presented two Wetlands Regulations Workshops and two Gravel Road Maintenance Workshops during the past fiscal year for the benefit of all units of government in our region. Anticipated potential workshops include Gravel Road Maintenance, Panel Discussion of Fire Service Contracts, Township Planning and Zoning/Annexation Issues Forum, and other concepts still in the formative stage.

Technical and informational assistance to townships and small cities has continued at an increasing rate. Townships are increasingly asking for and receiving informational assistance. Several townships were aided informationally on their successful application for various planning grants. At least one township is presently pursuing state grants in aid for township facility development.

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES COMPARISON
CURRENT FY91 AND PROPOSED FY92

<u>REVENUES</u>	FY91 CURRENT BUDGET	FY92 PROPOSED BUDGET	<u>DIFFERENCE</u>
State Planning	\$ 41,808	\$ 0	-41,808
Technical Assistance	10,200	6,500	-3,700
Local Levy	125,051	125,051	0
Interest Income	7,500	6,000	-1,500
In-Kind	1,400	1,400	0
EDA	54,059	50,000	-4,059
MSAB	20,340	23,543	+3,203
McKnight Foundation	1,200	2,100	+900
MBA	73,874	75,668	+1,794
MN/DOT	27,000	27,000	0
Community Health Services	11,864	14,017	+2,153
North Central EDA, Inc.	14,393	18,733	+4,340
MN High School for the Arts	8,500	12,500	+4,000
 SUBTOTAL PROGRAM REVENUES	 \$ 397,189	 \$ 362,512	 \$ -34,677
 <u>DIRECT ASSISTANCE</u>			
Aging	\$ 790,586	\$ 790,586	\$ 0
Arts	52,801	54,621	+1,820
 SUBTOTAL DIRECT	 \$ 843,387	 \$ 845,207	 \$ +1,820
 TOTAL AGENCY	 \$1,240,576	 \$1,207,719	 \$ -32,857

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES COMPARISON
CURRENT FY91 AND PROPOSED FY92

<u>EXPENDITURES</u>	FY91 CURRENT BUDGET	FY92 PROPOSED BUDGET	DIFFERENCE
Salaries	\$ 139,010	\$ 126,387	\$ -12,623
Benefits	40,106	45,339	+5,233
SUBTOTAL PERSONNEL	\$ 179,116	\$ 171,726	\$ -7,390
Consultants	0	7,500	+7,500
Staff Travel	16,400	13,900	-2,500
Committee Travel	3,910	2,435	-1,475
Commission Travel	6,000	6,000	0
Commission Fringe	450	450	0
Repro & Printing	2,300	1,550	-750
Per Diem	12,000	12,000	0
Rent	4,066	4,066	0
Staff Car	3,600	3,600	0
Books, Reports & Memb.	1,200	2,428	+1,228
Insurance	3,250	3,250	0
Miscellaneous	1,925	1,925	0
Equipment	11,500	4,500	-7,000
Postage	600	500	-100
Supplies	600	1,625	+1,025
Conferences	4,050	1,950	-2,100
Maintenance	25	25	0
Lease: Equipment	-	-	0
Cost Pool	133,599	129,115	-4,484
In-Kind	1,400	1,400	0
SUBTOTAL PROGRAM	\$ 385,991	\$ 369,945	\$ -16,046
<u>DIRECT ASSISTANCE</u>			
Area Agency on Aging	\$ 790,586	\$ 790,586	\$ 0
Arts	52,801	54,621	+1,820
SUB-TOTAL DIRECT ASSISTANCE	\$ 843,387	\$ 845,207	\$ +1,820
TOTAL AGENCY BUDGET	\$1,229,378	\$1,215,152	\$ -14,226
Excess Revenues Over (Under) Expenditures	\$ 11,198	\$ -7,433	\$ -18,631
Fund Balance - July 1	99,255	110,453	+11,198
Fund Balance - June 30	\$ 110,453	\$ 103,020	\$ -7,433

92BDGT.FIN

PROJECT REVIEW SYSTEM

ANNUAL SUMMARY
FISCAL YEAR 1991

COUNTY: CASS

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Farmer's Home Administration	5	\$2,702,130.00
Dept. of Trade & Economic Development	2	2,967,448.00
MN Department of Transportation	4	9,004,589.00

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	1	2,768,386.00
Economic Development Administration	2	186,550.00
Farmers Home Administration	3	1,658,500.00
MN Department of Transportation	3	649,930.00
MN Department of Health	3	469,907.00

COUNTY: MORRISON

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
MN Department of Jobs & Training	1	\$ 11,662.00
Economic Development Administration	2	882,470.00
Farmers Home Administration	5	2,677,702.00
MN Department of Transportation	7	486,019.00

PROJECT REVIEW SYSTEM

ANNUAL SUMMARY
FISCAL YEAR 1991

COUNTY: TODD

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Dept. of Trade & Economic Development	2	\$ 23,324.00
Farmer's Home Administration	1	291,813.00
MN Department of Jobs and Training	2	66,997.00
MN Department of Transportation	15	47,310.00

COUNTY: WADENA

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Farmer's Home Administration	1	\$ 250,000.00
MN Department of Health	2	104,175.00
MN Department of Transportation	2	119,300.00

COUNTY: REGION-WIDE/MULTI-COUNTY

<u>FUNDING AGENCY</u>	<u>NUMBER OF REVIEWS PROCESSED</u>	<u>TOTAL PROJECT COST</u>
Economic Development Administration	1	\$ 300,00.00
MN Department of Health	2	1,093,596.00
MN Department of Transportation	1	1,425,000.00



STATE OF MINNESOTA

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

MARK B. DAYTON
STATE AUDITOR

296-2551

MANAGEMENT LETTER BASED ON THE AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

Board of Directors
Region 5 Development Commission

We have audited the general purpose financial statements of Region 5 Development Commission as of and for the year ended June 30, 1990, and have issued our report thereon dated December 10, 1990. This report resulting from part of that audit is divided into sections including our report on internal control structure, compliance and management practices.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; 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. Sec. 6.65. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

INTERNAL CONTROL STRUCTURE

In planning and performing our audit of the general purpose financial statements of Region 5 Development Commission for the year ended June 30, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of Region 5 Development Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, management must make estimates and judgements that assess the expected benefits and related costs of internal control structure policies and procedures. The

objectives of an internal control structure 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 general purpose financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Receipts/revenues
Disbursements/expenditures
Payroll
Cash Management

Our consideration of the internal control structure included all of the control categories listed above. The purpose of our consideration of the internal control structure was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the general purpose financial statements.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

LEGAL AND COMPLIANCE REPORTS

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 audit included all of the listed categories. The results of our tests indicated that for the items tested the Commission complied with the 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.

Compliance with laws, regulations, contracts, and grants applicable to Region 5 Development Commission is the responsibility of Commission's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that for the items tested, the Commission complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Commission had not complied, in all material respects, with those provisions.

MANAGEMENT PRACTICES

As part of our financial statement 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

Board of Directors Travel Expenses

To more effectively pay per-diem and travel expenses of the Full Commission and Board of Directors, the Regional Development Commission changed the method of paying these types of expenses effective January 1, 1990.

Prior to January 1, 1990, Commission and Board of Directors per-diem and travel expenses were submitted on separate vouchers and approved by the Board. Subsequent to January 1, 1990, per-diem and travel expenses are paid through the payroll accounting system which is approved only by the Executive Director of the Regional Development Commission.

The use of the payroll system to pay travel expenses lessens the controls management has over these expenses, as the Board would no longer review and pay the travel expenses of its own members. Without Board approval for travel claims, a travel expense item may be paid that the board may have wished to set aside and not pay.

We recommend that travel expenses be approved by the Board of Directors.

Client's Response:

"In the future, all Commission expense reimbursement claims will be attached to the monthly list of bills and approved by the Board of Directors."

* * * * *

This report is intended solely for the information 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.

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

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


MARK B. DAYTON
State Auditor

December 14, 1990



STATE OF MINNESOTA

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

MARK B. DAYTON
STATE AUDITOR

296-2551

REPORT ON INTERNAL CONTROL AND COMPLIANCE FOR SPECIFIC AND GENERAL REQUIREMENTS FOR FEDERAL FINANCIAL ASSISTANCE

Board of Directors
Region 5 Development Commission

The Single Audit Act of 1984 and Office of Management and Budget's Circular A-128 require that audits be conducted of federal financial assistance in conjunction with the audit of the Region 5 Development Commission's general purpose financial statements. This report contains our observations, based on our audit, of the internal control structure and of compliance with the specific and general requirements of the Commission's major and nonmajor federal financial assistance programs.

INTERNAL CONTROL--MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have audited the general purpose financial statements of Region 5 Development Commission for the year ended June 30, 1990, and have issued our report thereon dated December 14, 1990. 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; Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act of 1984; and the provisions of the Office of Management and Budget 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
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 Region 5 Development Commission is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, management must make estimates and judgements that 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, with respect to federal financial assistance programs, that:

- 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, 1990, the Commission expended 100 percent of its total federal financial assistance under a major federal financial assistance program and the following nonmajor federal financial assistance programs:

Area Agency on Aging	
USDA reimbursement	CFDA No. 10.550
Social services	CFDA No. 13.633
In-home frail elderly	CFDA No. 13.641
Economic Development	
Administration	CFDA No. 11.302

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 following satisfactorily, and evaluating any weaknesses.

Our study and evaluation was more limited that 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 the Region 5 Development Commission. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance program of Region 5 Development Commission.

However, our study and evaluation and audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Region 5 Development Commission.

**REPORTS ON COMPLIANCE FOR MAJOR AND NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

SPECIFIC REQUIREMENTS - MAJOR PROGRAMS

We have audited Region 5 Development Commission's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program, identified in the accompanying schedule of federal financial assistance for year ended June 30, 1990. The management of Region 5 Development Commission is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Region 5 Development Commission complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended June 30, 1990.

SPECIFIC REQUIREMENTS--NONMAJOR PROGRAMS

In connection with our audit of the 1990 general purpose financial statements of Region 5 Development Commission and with our study and evaluation of the Commission's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to each of its nonmajor federal financial assistance programs for the year ended June 30, 1990.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and matching or level of effort applicable to these transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Commission's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Region 5 Development Commission had not complied, in all material respects, with those requirements.

GENERAL REQUIREMENTS--MAJOR PROGRAMS

We have applied procedures to test Region 5 Development Commission's compliance with the following requirements applicable to its major federal financial assistance program, which is identified in the schedule of federal financial assistance, for the year ended June 30, 1990:

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

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Region 5 Development Commission's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this section. With respect to the items not tested, nothing came to our attention that caused us to believe that Region 5 Development Commission had not complied, in all material respects, with those requirements.

* * * * *

This report is intended solely for the use of management, the cognizant audit agency--U.S. Department of Commerce, and other federal audit agencies and 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.

We are available throughout the year to answer any questions you may have.

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


MARR B. DAYTON
State Auditor

December 14, 1990