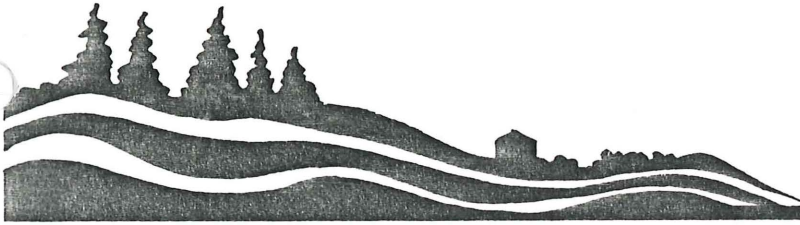


REGION 5 DEVELOPMENT COMMISSION

ANNUAL REPORT

JULY 1, 1991 - JUNE 30, 1992



REGION 5 DEVELOPMENT COMMISSION

611 Iowa Avenue
Staples, Minnesota 56479-2224

Leyten Fontaine, Executive Director

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

CHAIRPERSON'S REPORT

August 1, 1992

The Region 5 Development Commission has completed another year of providing needed services to the local units of government in Cass, Crow Wing, Morrison, Todd and Wadena counties. Like every other unit of government, the Region 5 Development Commission has had to face the realities of declining State revenues, while at the same time responding to increasing requests for assistance from local units. To meet this challenge, the Commission reduced its staff component from ten staff to eight.

Regardless of these economic necessities, the Region 5 Development Commission is continuing to provide the kind of developmental assistance that our local units of government have come to expect from us. The Region 5 Area Agency on Aging is developing and maintaining needed programs for older persons, the Five Wings Arts Program is promoting arts development throughout Region 5, the Business Loan Fund administered by Region 5 has been effective in both retaining and creating jobs, the Road Recording Program continues to benefit local townships, our Economic and Transportation planning activities are laying out attainable goals and objectives in these two vital areas, and a wide variety of specialized workshops is increasing the awareness of issues related to local planning and zoning, and other topics of local interest.

The Region 5 Development Commission is dedicated to providing quality assistance to local units of government. This commitment will not change. Both the staff and the Commission members look forward to another year of doing whatever we can to improve the quality of life here in north central Minnesota.

Sincerely,

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
AUDITOR'S LETTER.....	15

COMMISSION MEMBERSHIP
(As of June 30, 1992)

CASS COUNTY REPRESENTATIVES

Kenneth Johnson, Staples
Ardean Brasgalla, Cass Lake
Fred Martin, Akeley

Board of Commissioners
Municipalities
Town Boards

CROW WING COUNTY REPRESENTATIVES

Mary Koep, Brainerd
Donna Good, Pequot Lakes
Robert Olson, Pequot Lakes

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, 1992)

Fred Martin, Chairperson
Donna Good, Vice-Chairperson
Dale Paulsen, Secretary
Ted Winkels, Treasurer
Howard Warnberg, Director
Stan Sumey, Director
Ken Johnson, Director

STAFF
(As of June 30, 1992)

ADMINISTRATION

Leyten Fontaine, Executive Director
Nancy Stevens, Controller/Executive Assistant
Shelly Stevens, Office Manager/Program Coordinator

AREA AGENCY ON AGING

Barbara Card, Director
Virginia MacArthur, Senior Planner (.6 FTE)

ARTS

Virginia MacArthur, Program Manager (.4 FTE)

COMMUNITY DEVELOPMENT

Randy Hilliard, Economic Development Planner
Roger Germann, Technical Planner
Mary Safgren, Community Development Planner

ADVISORY COUNCILS
(As of June 30, 1992)

COUNCIL ON AGING

William Kern, Verndale
Ardyce Quinn, Hackensack
Mary Ann Norton, Walker
Richard Ashmun, Merrifield
Everall Huff, Brainerd
Frank Sandelin, Long Prairie
Faith Arboleda, Pine River
Nellie Zacharda, Motley
Robert Belling, 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
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

Kent Eveland, Backus
Charles Neff, Brainerd
Kathleen Kelly, Little Falls
Norman Krause, Staples
Andrew Huhta, Wadena
Tom Godfrey, Backus

REPRESENTING

Chairperson
Small Business
Community Leader
Agriculture
Small Business
Small Business

COUNTY

Region 5 DC
Crow Wing County
Morrison County
Todd 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
Mary Warner, 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
Visual Art
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
Mark Daly, Wadena
Don Hubert, Brainerd

REPRESENTING

Chairperson
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 1992, 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 regular 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 1992.

TABLE 1 - SERVICES PROVIDED IN 1992

	<u>NUMBER OF UNITS</u>	<u>NUMBER OF UNDUPLICATED PARTICIPANTS</u>
Congregate Meals	200,000 meals	5,300
Home Delivered Meals	98,050 meals	1,165
SUB-TOTAL	298,050	6,465
Assessment/Screening	1,129 hours	150
Housekeeping	11,198 hours	260
Home Health Aide	6,885 hours	150
Information/Referral	1,200 contacts	1,200
SUB-TOTAL	20,412	1,760
Ombudsman	4,800 hours	48
Legal Education	571 hours	1,065
Legal Services	1,220 cases	320
SUB-TOTAL	6,591	1,433
Senior Leech Lakers, Walker	n/a	150
Eagle Bend Senior Center	n/a	150
Pillager Senior Center	n/a	100
SUB-TOTAL	n/a	400
Frail Elderly	1,062 hours	17
Elder Abuse Prevention	346 contacts	346
TOTAL	326,461	10,421

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 1992

<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	\$376,983	\$102,672		\$270,000
Home Delivered Meals	<u>126,603</u>	<u>10,245</u>	\$ 5,253	<u>137,960</u>
SUB-TOTAL	\$503,586	\$112,917	\$ 5,253	\$407,960
Housekeeping	\$ 75,248		\$ 75,248	
Home Health Aide	54,364		54,364	
Assessment/Screening	10,388		10,388	
Information/Referral	<u>10,000</u>		<u>10,000</u>	
SUB-TOTAL	\$150,000		\$150,000	
Ombudsman	\$ 13,607			\$ 3,402
Legal Education	3,998			3,998
Legal Services	<u>14,002</u>		\$ 150	<u>14,002</u>
SUB-TOTAL	\$ 31,607		\$ 150	\$ 21,402
Senior Leech Lakers	\$ 18,400			\$ 9,100
Eagle Bend	7,750			2,583
Pillager	<u>7,000</u>			<u>2,333</u>
SUB-TOTAL	\$ 33,150			\$ 14,016
Frail Elderly	\$ 6,708		\$ 6,708	\$
Elder Abuse Prevention	<u>3,090</u>		<u>3,090</u>	<u>545</u>
SUB-TOTAL	\$ 9,798		\$ 9,798	\$ 545
TOTAL	\$728,141	\$112,917	\$165,201	\$443,923

Several important projects and activities were either initiated or completed throughout the year. The 10th Annual Conference entitled "Protecting Our Heritage" was held at Deep Portage Conservation Reserve in Cass County. Workshop topics included: Preparing for Incapacity; What to Look for in the Forest; Bird and Flower Identification; Help with Medicare Reporting; etc. The MN Board on Aging allocated new Part G (Elder Abuse Prevention and Awareness) Funding. Region 5 Area Agency on Aging sponsored the 1st Annual Regional Senior Citizen Spelling Bee in June, 1992.

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

Region 5's Five Wings Arts Program awarded \$53,755 in FY92. This included \$9,000 of McKnight Foundation funds for semi-professional arts organizations and \$1,990 for Individual Artist grants. Also awarded was \$42,765 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>
St. Francis Music Center	\$ 1,200
Hole in the Day Players	1,200
Wadena Elementary School	700
Eagle Valley CAPP	1,510
Prairie Arts Center	359
Prairie Arts Center	97
Prairie Arts Center	439
St. Mary's School	1,500
Prairie Arts Center	265
Prairie Arts Center	110
Prairie Arts Center	500
Brainerd Area Arts Alliance	3,700
Hackensack Congregational	1,375
Heartland Symphony	3,700
Todd County Farm Market	250
Staples School	1,500
Little Falls Community Services	2,350
Verndale	550
Wadena County Fair	393
Menahga Chamber of Commerce	300
Vacationland Figureskaters	2,766
Our Lady of Lourdes School	600
Lindberg Elementary School	1,000
Cass County Historical Society	950
Deep Portage	2,050
Freshwater Education District	1,000
Hole in the Day Players	1,000
Browerville	840
Staples Schools	2,000
Pequot Lakes Community Education	1,000
Pine River Community Education	1,000
Crosby-Ironton High School	1,986
Leech Lake Tribe	1,000
Crosby-Ironton CAPP	2,675
Little Falls Community Services	900
TOTAL	\$42,765

TABLE 2
MCKNIGHT FOUNDATION FUNDS AWARDED

<u>AGENCY</u>	<u>AMOUNT FUNDED</u>
St. Francis Music Center	\$ 600
Hackensack Congregational Church	3,645
Heartland Symphony Orchestra	1,800
Prairie Arts Center	164
Prairie Arts Center	234
Prairie Arts Center	495
Prairie Arts Center	95
Heartland Symphony Orchestra	270
Staples Men's Chorus	250
Wadena-Deer Creek Elementary	175
Central MN HS Choral Festival	475
Prairie Arts Center	100
MN Rural Arts Association	560
Prairie Arts Center	137
TOTAL	\$9,000

MCKNIGHT INDIVIDUAL ARTIST AWARDS

<u>APPLICANT</u>	<u>AMOUNT FUNDED</u>
Raymond Tkalcich, Wood Carving	\$ 500
Thomas Nilsson, Cast Pewter	500
Kent Scheer, Toymaker	490
Judith Krueger, Duck Carving	500
TOTAL	\$1,990

The Five Wings Arts Program also receives funds from the Minnesota Center for Arts Education for an Artist/Mentor Program. In the past year it was able to provide 15 area students an opportunity to work one-on-one with a specialist in their field.

The Five Wings 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 with the preparation of grant applications. Region 5 staff prepared grant applications to the Central Minnesota Initiative Fund for Garrison, Germania Community Club, Belle Prairie Township and Little Falls Township. In addition, information was provided to Region 5 communities on Small Cities funding.

Technical assistance was provided in the area of planning and zoning. The Pequot Lakes Zoning Ordinance was completed and adopted by the City Council. A comprehensive plan for Crow Wing Township is near completion. Region 5 staff is updating a comprehensive plan for Belle Prairie.

Region 5 staff held a workshop on the basics of planning and zoning. A workshop on township planning and zoning was also sponsored by Region 5.

The Rural Rehabilitation Pilot Project Program application was approved. Funds have been disbursed to Soil and Water Conservation Districts (SWCD's) in Region 5. SWCD's used the funds to make conservation tillage equipment available to farmers in Region 5.

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

ECONOMIC DEVELOPMENT

Region 5 successfully completed an application to EDA requesting \$300,000 for recapitalization of the Region 5 Business Loan Fund. The grant was 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 five (5) loans totalling \$90,000 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.

A preliminary draft of the Five Year Overall Economic Development Plan was completed.

Staff presented information on the Region 5 Business Loan Fund and the Region 5 Economic Development Program to several economic development organizations and local units of government.

Staff prepared a business financing resource guide and distributed it to local economic development organizations and businesses.

Staff facilitated several Network 5 meetings. Network 5 is a group of economic development practitioners that provide services in Region 5.

Information and assistance was provided to the City of Swanville in an effort to develop an industrial park.

Staff conducted several RLF site visitations as well as several manufacturing visitations in Staples and Motley.

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.

The Region 5 Transportation Plan was updated. Staff served on various transportation committees including the Minnesota Transportation Alliance and the Center for Transportation Studies Economic Council in order to provide input on transportation issues.

Technical assistance was provided in transit planning. Work continued on developing a Region 5 16(b)(2) Monitoring Program. A transit survey of Region 5 transit providers was completed.

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). Region 5 purchased a CD-ROM in order to provide better access to Census data.

Region 5 also assists communities in financing recreational facilities through the Outdoor Recreation Grants Program. Region 5 staff is continuing to work with Otter Tail Peninsula Township in the preparation of an Outdoor Recreation Grant. Informational assistance was provided to several communities within Region 5.

Staff assisted townships in accessing the DNR-State Park Road Access Fund through Fund monitoring and technical assistance to the applicant townships, and through assisting LUGs access the planning grants of private grantors.

TECHNICAL PLANNING

Local Units of Government 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 local governments 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 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 and map planning techniques are provided as requested. Fire Number Map projects are completed on a contract basis.

Planning and Zoning Map projects have been completed as requested. The interest in planning and zoning in townships has created calls for information and advice regarding technical information for decision-making regarding future zoning needs.

Region 5 staff updated the City of Pequot Lakes Zoning Map. Mapping assistance is being completed for Crow Wing Township in the form of a base map, existing land use overlay, projected land use overlay, and existing county zoning overlay. The City of Verndale base map update and Sewer and Water Overlay Map update were completed. The City of Staples Base Map update has been completed, and staff is completing a City of Hackensack Base Map update along with creating a Zoning Map overlay, anticipating the updating of the Sewer and Water Overlay map.

Our program efforts toward townships is greatly enhanced by the working relationship with the Minnesota Association of Townships. Staff continues to offer consultation to other Regional Development Commissions regarding township issues and state-wide township programs.

Region 5 staff held a Heavy Equipment Operator Safety Workshop for county-level transportation employees. Staff anticipates holding similar workshops dealing with Excavation Site Safety, Gravel Road Maintenance, and Rural Fire Service Contract interpretation and design. Work continues on the development of a Town Road Construction/Maintenance/Re-Construction/Materials Specification Guideline Manual.

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES COMPARISON
Current FY92 and Proposed FY93

<u>REVENUES</u>	FY92	FY93	<u>DIFFERENCE</u>
	<u>CURRENT</u> <u>BUDGET</u>	<u>PROPOSED</u> <u>BUDGET</u>	
Technical Assistance	\$ 7,500	\$ 7,500	-0-
Local Levy	125,051	125,051	-0-
Interest Income	6,000	5,000	- 1,000
In-Kind	1,400	1,400	-0-
EDA Planning	50,977	56,000	+ 5,003
MN State Arts Board	22,889	22,706	- 183
McKnight Foundation	2,100	2,100	-0-
MN Board on Aging Administration	77,322	75,995	- 1,327
Community Health Services	14,923	16,941	+ 2,018
North Central EDA, Inc.	18,572	17,997	- 575
MN High School for the Arts	12,306	12,386	+ 80
MN Department of Transportation	27,000	27,000	-0-
Urban Mass Transit Administration	-0-	4,871	+ 4,871
Sub-Total Program Revenues	\$ 366,040	374,947	+ 8,887
Direct Assistance			
Aging	\$ 878,448	\$ 884,448	+ 6,000
Arts	69,253	55,535	- 13,718
Rural Rehabilitation	41,666	-0-	- 41,666
Revolving Loan	25,000	200,000	+175,000
Sub-total Direct Assistance	\$1,014,367	\$1,139,983	+125,616
Total Agency	\$1,380,407	\$1,514,930	+134,503

93BDGT.FIN

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES COMPARISON
Current FY92 and Proposed FY93

	FY92	FY93	
	CURRENT	PROPOSED	
<u>EXPENDITURES</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>DIFFERENCE</u>
Salaries	\$ 131,102	\$ 136,640	+ 5,538
Benefits @ 27.72%	40,902	37,864	- 3,038
Sub-total Personnel	172,004	174,504	+ 2,500
Commission Benefits	1,000	1,000	-0-
Consultants	5,700	5,700	-0-
Staff Travel	13,900	13,900	-0-
Consultant Travel	1,800	1,800	-0-
Commission Travel	6,000	6,000	-0-
Commission Per Diem	12,000	12,000	-0-
Council Travel	2,435	2,557	+ 122
Repro & Printing	1,550	1,550	0
Telephone	600	1,100	+ 500
Rent	4,066	4,066	0
Staff Car Expenses	3,600	3,600	0
Postage	750	750	0
Supplies	1,625	1,625	0
Insurance - Office	3,410	3,410	0
Equipment	7,000	3,000	- 4,000
Maintenance - Equipment	25	25	0
Books & Publications	2,700	3,700	+ 1,000
Workshops	1,950	1,950	0
Miscellaneous	2,100	2,100	0
Indirect Costs @ 68.35%	124,375	119,265	- 5,110
Total Operating	\$ 368,590	\$ 363,602	- 4,988
In-Kind	1,400	1,400	0
Total Program Administration	\$ 369,990	\$ 365,002	- 4,988
Direct Assistance			
Area Agency on Aging	\$ 878,448	\$ 884,448	+ 6,000
Arts	69,253	55,535	-13,718
Rural Rehabilitation	41,666	-0-	-41,666
Revolving Loan	25,000	200,000	+175,000
Sub-total Direct Assistance	\$1,014,367	\$1,139,983	+125,616
Total Agency Budget	\$1,384,357	\$1,504,985	+120,628
Excess Revenues Over			
(Under) Expenditures	\$ -3,950	\$ 9,945	+ 13,895
Fund Balance July 1	128,721	124,771	- 3,950
Fund Balance June 30	124,771	134,716	+ 9,945

FY92AR.ADM/ss



MARK B DAYTON
STATE AUDITOR

STATE OF MINNESOTA

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

296-2551

COMBINED REPORT ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE FOR THE GENERAL PURPOSE FINANCIAL STATEMENTS AND MAJOR AND NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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, 1991, and have issued our report thereon dated December 12, 1991. This report resulting from that audit is divided into sections which includes combined reports on the internal control structure and compliance on the general purpose financial statements and federal financial assistance programs, and a previously reported item resolved. The reports on compliance are subdivided into sections on general purpose financial statements, legal compliance, and major and nonmajor federal financial assistance programs.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments; 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. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether Region 5 Development Commission complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

INTERNAL CONTROL STRUCTURE

General Purpose Financial Statements and Federal Financial Assistance Programs

In planning and performing our audit for the year ended June 30, 1991, we considered the Commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Commission's general purpose financial statements and on its compliance with requirements applicable to major federal financial assistance programs 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, estimates and judgments by management are required to 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,
- transactions are recorded properly to permit preparation of general purpose financial statements in accordance with generally accepted accounting principles, and
- federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance 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:

Activity Cycles

Receipts/revenues
Disbursements/expenditures
Payroll
Cash management

General Requirements

- Allowable costs/cost principles
- Cash management
- Civil rights
- Political activity
- Federal financial reports
- Drug-Free Workplace Act

Specific Requirements

- Federal grant eligibility
- Matching, level of effort, or earmarking
- Reporting
- Claims for advances and reimbursements
- Awards to secondary recipients - cash management

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1991, Region 5 Development Commission expended 72 percent of its total federal financial assistance under a major federal financial assistance program and a nonmajor federal financial assistance program: CFDA #93.633, Special Program for the Aging - Title III, Part B.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Commission's major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance and the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we considered to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial

statements or to administer federal financial assistance programs in accordance with applicable laws and regulations.

ITEM ARISING THIS YEAR

Segregation of Duties

In order to assure proper control of the Commission's assets and financial reporting, the services of more than one person are required to perform accounting-related activities. The Commission has only one employee to perform these duties. Although this is not unusual in an agency of your size, the Commission's Board should be aware that under these conditions there is a general absence of internal control, with respect to segregation of duties.

We recommend that the Board:

- approve all bills,
- compare receipts with bank deposits,
- verify bank reconciliations and compare with the general ledger cash account,
- review monthly payroll reports with checks written,
- verify that interest earnings are being recorded.

Because of the Commission's limited staff size, the most effective control lies in the Board's knowledge and constant awareness that the concentration of duties and responsibilities in a limited number of individuals prevents the proper segregation of accounting functions.

Client's Response:

The Board of Directors is aware that due to staff size the accounting responsibility lies with the Controller. The Board of Directors shall approve all bills and the Executive Director or Office Manager shall verify deposits and bank reconciliations.

* * * * *

A material weakness is a reportable condition in which the design or operation of one or more of the 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 or that noncompliance with laws and regulations that would be material to a federal financial assistance program, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a reportable condition and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the segregation of duties item is considered to be a material weakness as defined above.

This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of Region 5 Development Commission's general purpose financial statements and of its compliance with requirements applicable to its major federal financial assistance program for the year ended June 30, 1991, and does not affect our reports dated December 12, 1991.

We also noted another matter involving the internal control structure and its operation that we considered to be a nonreportable condition, which is described as follows.

ITEM ARISING THIS YEAR

Approval of Claims for Payment

Our test of disbursements disclosed that three of 12 monthly printouts listing bills to be paid were not signed by the Executive Director, indicating his approval for payment. Without the approval on the printout, the Board has no assurance that the claims listed are for goods or services actually received.

We recommend that the Executive Director sign all monthly printouts of claims to document his approval for payment.

Client's Response:

The Executive Directors shall sign the "Items to be Paid" printout for the bills being paid. If the Executive Directors is not in the office, the Chairman shall authorize the bills prior to payment.

COMPLIANCE

General Purpose Financial Statements

Compliance with laws, regulations, contracts, and grants applicable to Region 5 Development Commission is the responsibility of the 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 indicated that, with respect to 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.

Legal Compliance

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.

In addition, we also reviewed for compliance with other statutes, bylaws, administrative rules, and state grant regulations and contracts that we deemed necessary. This review did not include all possible regulatory provisions which may be applicable, and was not intended to provide assurance of full compliance with all regulatory provisions.

The results of our tests indicate 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 and the procedures referred to above, nothing came to our attention to indicate that the Commission had not complied with such legal provisions.

Federal Financial Assistance Programs

Specific Requirements

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 cash management of awards to secondary recipients that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial information for the year ended June 30, 1991. 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. 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 cash management of awards to secondary recipients that are applicable to its major federal financial assistance program for the year ended June 30, 1991.

In connection with our audit of the 1991 general purpose financial statements of Region 5 Development Commission, and with our study and evaluation of the Commission's internal control structure 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 transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1991.

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, and eligibility that are applicable to those 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 the Commission had not complied, in all material respects, with those requirements.

General Requirements

We have applied procedures to test the Commission's compliance with the following requirements applicable to its major and nonmajor federal financial assistance programs for the year ended June 30, 1991.

- Allowable costs/cost principles
- Cash management
- Civil rights
- Political activity
- Federal financial reports
- Drug-free Workplace Act

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 (Revised 1990). 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 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 above. 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 requirements.

PREVIOUSLY REPORTED ITEM RESOLVED

The following item included in our previous management letter dated December 14, 1990, has been implemented or otherwise resolved.

<u>Item</u>	<u>Resolution</u>
Travel expenses of the Commission and Board of Directors are paid through the payroll system, which does not allow for prior approval of these expenses.	Travel expenses of the Commission and Board of Directors are now approved prior to payment.

* * * * *

This report is intended solely for the use of the Commission, the Commission's management, and federal and state grantor or cognizant 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 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.

A handwritten signature in dark ink, appearing to read "Mark Dayton", with a stylized flourish at the end.

MARK B. DAYTON
STATE AUDITOR

December 12, 1991



STATE OF MINNESOTA

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

MARK B. DAYTON
STATE AUDITOR

296-2551

AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Board of Directors
Region 5 Development Commission

We have audited the general purpose financial statements of Region 5 Development Commission for the year ended June 30, 1991, and have issued our opinion thereon, dated December 12, 1991. The general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Our audit of those general purpose financial statements was made in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The information in those schedules have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Mark B. Dayton", is written over the printed name and title.

MARK B. DAYTON
STATE AUDITOR

December 12, 1991