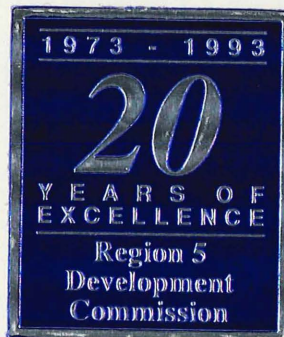


REGION 5 DEVELOPMENT COMMISSION

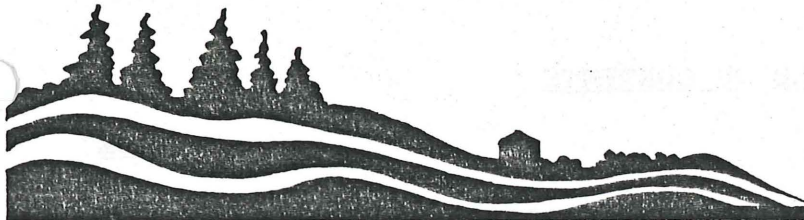
ANNUAL REPORT

FISCAL YEAR 1993

July 1, 1992 - June 30, 1993



**611 Iowa Avenue
Staples, MN 56479
218/894-3233
Fax: 218/894-1328**



REGION 5 DEVELOPMENT COMMISSION

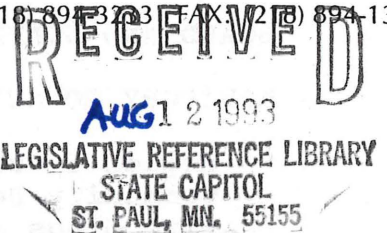
611 Iowa Avenue
Staples, Minnesota 56479-2224

Leyten Fontaine, Executive Director

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

CHAIRPERSON'S REPORT

August 1, 1993



The Region 5 Development Commission has had another successful year in providing needed programs and services to local units of government in Cass, Crow Wing, Morrison, Todd, and Wadena counties. Of particular interest was the Rural Fire Service Contract Workshop on March 3, 1993; valuable information was presented to help townships and cities reach agreement on their fire service contracts. More workshops such as this will be provided in the future.

The Region 5 Area Agency on Aging continues to fund programs which are designed to help older persons remain as independent as possible, with an emphasis on preventive care and in-home health care. The Five Wings Arts Program has been instrumental in encouraging arts development throughout Region 5 and is continuing to fund the artist-mentor program. The Business Loan Fund administered by Region 5 has been very active this year in promoting business development and the Transportation program has taken on new responsibilities as the ISTEA Federal Highway Act becomes a reality.

The Region 5 Development Commission has undergone many changes during the past several years, both in terms of funding and in providing needed services for local units of government. To be ahead of the changes that continue to sweep through our society is an ever-present goal of the Commission as we look forward to another year of responding to the genuine needs of our area.

Sincerely,

Donna Good, Chairperson
Region 5 Development Commission

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COMMISSION MEMBERSHIP
(As of June 30, 1993)

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

Paul Nieman, Jr., Little Falls
Duane Johnson, Swanville
James Wielinski, 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

Ralph Lorentz, Wadena
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
Audrey Stattelmann, Pequot Lakes

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Ted Winkels, Verndale

Soil & Water Conservation
District

BOARD OF DIRECTORS
(As of June 30, 1993)

Donna Good, Chairperson
Paul Nieman, Jr., Vice-Chairperson
Ted Winkels, Secretary
Stan Sumey, Treasurer
Ardean Brasgalla, Director
Gene Goedker, Director
Ralph Lorentz, Director

STAFF
(As of June 30, 1993)

ADMINISTRATION

Leyten Fontaine, Executive Director
Nancy Stevens, Controller/Executive Assistant
Mark Turner, Office Coordinator

AREA AGENCY ON AGING

Barbara Card, Director
Shelly Stevens, Grants Manager

ARTS

Mark Turner, Arts Coordinator

COMMUNITY DEVELOPMENT

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

ADVISORY COUNCILS
(As of June 30, 1993)

COMMUNITY DEVELOPMENT COUNCIL

Robert Olson, Pequot Lakes
Charles Neff, Brainerd
Kathleen Kelly, Little Falls
Norman Krause, Staples
Andrew Huhta, Wadena
Tom Godfrey, Backus

COUNCIL ON AGING

Kenneth Johnson, Staples
Mary Ann Norton, Walker
Gloria Norman, Pine River
Richard Ashmun, Merrifield
Al Cossette, Brainerd
Frank Sandelin, Long Prairie
Faith Arboleda, Pine River
Nellie Zacharda, Motley
Robert Landgren, Swanville
Vonda Hedlund, Clarissa
George Green, Grey Eagle
Delta Meech, Sebeka
Dale Paulsen, Verndale
Karen Nelson, Wadena

FIVE WINGS ARTS COUNCIL

Bill Kern, Verndale
Betty Green, Hackensack
Dorothy Harrington, Hackensack
Christine Nick, Pequot Lakes
Darrell Stave, Brainerd
Mary Gustafson, Brainerd
Mary Warner, Little Falls
Frank Gosiak, Little Falls
Donn Harris, Eagle Bend
Annette Seiling, Eagle Bend
Ethel Luukkonen, Sebeka
Kathy Arretche, Sebeka

TRANSPORTATION COUNCIL

Mary Koep, Brainerd
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
Hilda Lee, Brainerd
Howard Warnberg, Little Falls
Fred Martin, Akeley

REPRESENTING

Chairperson
Small Business
Community Leader
Agriculture
Small Business
Small Business

REPRESENTING

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

REPRESENTING

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

REPRESENTING

Chairperson
Co. Hwy. Engineer
Co. Hwy. Engineer
Brainerd Engineer
Co. Hwy. Engineer
City Services Mgr.
Co. Hwy. Engineer
Co. Hwy. Engineer
Planning Coord.
Airports
Railroads
Townships

COUNTY

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

COUNTY

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

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

COUNTY

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

COORDINATION

During Fiscal Year 1993, 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, 1993-1994. Based on the priorities established in this plan, Table 1 shows the services which are projected for 1993.

TABLE 1 - SERVICES PROVIDED IN 1993

	<u>NUMBER OF UNITS</u>	<u>NUMBER OF UNDUPLICATED PARTICIPANTS</u>
Congregate Meals	196,700 meals	5,900
Home Delivered Meals	103,300 meals	1,450
SUB-TOTAL	300,000	7,350
Assessment/Screening	3,545 hours	210
Housekeeping	8,626 hours	157
Home Health Aide	6,999 hours	139
Transportation	520 one-way trips	15
Outreach	416 contacts	25
Adult Day Care	1,500 hours	4
SUB-TOTAL	21,606	550
Ombudsman	4,800 hours	48
Legal Education	371 hours	600
Legal Services	920 cases	320
SUB-TOTAL	6,091	968
Routine Health Screening	596 hours	680
Frail Elderly	1,159 hours	25
Elder Abuse Prevention	2,000 contacts	2,000
TOTAL	331,452	11,573

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 1993

<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	\$372,648	\$102,672		\$338,411
Home Delivered Meals	130,600	10,245	\$ 5,253	140,672
SUB-TOTAL	\$503,248	\$112,917	\$ 5,253	\$479,083
Housekeeping	\$ 71,146		\$ 71,146	
Home Health Aide	51,944		51,944	
Assessment/Screening	16,910		16,910	
Transportation	6,854		1,713	
Outreach	4,146		1,037	
Adult Day Care	6,029		1,507	
SUB-TOTAL	\$157,029		\$144,257	
Ombudsman	\$ 13,607			\$ 3,402
Legal Education	3,600			3,600
Legal Services	14,400		\$ 150	14,400
SUB-TOTAL	\$ 31,607		\$ 150	\$ 21,402
Health Screening	\$ 15,838		\$ 15,838	
SUB-TOTAL	\$ 15,838		\$ 15,838	
Frail Elderly	6,894		\$ 6,894	
Elder Abuse Prevention	4,347		4,347	767
SUB-TOTAL	\$ 11,241		\$ 11,241	\$ 767
TOTAL	\$718,963	\$112,917	\$176,739	\$501,252

Several important projects and activities were either initiated or completed throughout the year. The 11th Annual Conference entitled "It's Up to You in '92 Your Future - A Closer Look" was held at Wadena. Workshop topics included: Aging - Is It All In Your Mind?; Volunteer Opportunities with the DNR; Consumer Rip Off; Help for the Blind, 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

Region 5's Five Wings Arts Program awarded \$42,015 in grant monies in FY93. This amount includes \$9,500 of McKnight Foundation funds for semi-professional arts organizations and \$2,010 for Individual Artist grants. Five Wings also awarded \$30,505 of Minnesota State Arts Board grant funds for sponsorship activities and/or arts development in Region 5. The organizations which received funds are listed in Tables 1 and 2.

TABLE 1
MINNESOTA STATE ARTS BOARD FUNDS

<u>AGENCY</u>	<u>COUNTY</u>	<u>AMOUNT FUNDED</u>
Heartland Symphony Orchestra	Crow Wing	\$ 3,000
Brainerd Community College	Crow Wing	2,000
Little Falls Comm. Serv.	Morrison	1,000
Wadena County Ag. Society	Wadena	907
Long Prairie Chamber of Commerce	Todd	520
Pioneer Elementary School	Wadena	590
Brainerd Youth Orchestra	Crow Wing	3,400
Menagha Chamber of Commerce	Wadena	350
Wadena Co. Historical Soc.	Wadena	400
Prairie Arts Center	Todd	325
Prairie Arts Center	Todd	218
Staples Comm. Theatre	Todd	1,750
Brainerd Area Arts Alliance	Crow Wing	1,200
Wadena International Fine Arts	Wadena	625
Little Falls Community Services	Morrison	2,000
Wadena International Fine Arts	Wadena	670
City of Little Falls	Morrison	1,500
Brainerd Schools	Crow Wing	1,500
St. Francis Music Center	Morrison	800
City of Pequot Lakes	Crow Wing	1,250
Brainerd Writer's Alliance	Crow Wing	200
Todd Co. Historical Soc.	Todd	1,600
Eagle Valley CAPP	Todd	780
Heartland Symphony Orchestra	Crow Wing	750
Staples Big Bands	Todd	750
Wadena Concert Bands	Wadena	900
Wadena-Deer Creek Elementary	Wadena	175
St. Francis Music Center	Morrison	672
City of Browerville	Todd	673
TOTAL		\$ 30,505

TABLE 2
MCKNIGHT FOUNDATION FUNDS AWARDED

<u>AGENCY</u>	<u>COUNTY</u>	<u>AMOUNT FUNDED</u>
Staples Schools	Todd	\$ 143
Heartland Symphony Orchestra	Crow Wing	810
Brainerd Youth Orchestra	Crow Wing	840
Prairie Arts Center	Todd	351
Prairie Arts Center	Todd	305
Staples Schools	Todd	1,000
St. Francis Music Center	Morrison	5,551
Staples Area Community Theatre	Todd	500
TOTAL		\$ 9,500

MCKNIGHT INDIVIDUAL ARTIST AWARDS

<u>APPLICANT</u>	<u>COUNTY</u>	<u>AMOUNT FUNDED</u>
Gary French, Oil Painting	Wadena	\$ 510
Robert Bjelkengren, Pottery	Wadena	500
Grant Wilcox, Music Composition	Crow Wing	500
Gregory Anderson, Music Writing	Wadena	500
TOTAL		\$ 2,010

The Five Wings Arts Program also receives funds from the Minnesota Center for Arts Education for an Artist/Mentor Program. In the past year Five Wings was able to provide 16 area students with an opportunity to work one-on-one with a practicing artist in their area of art.

The Five Wings Arts Program staff also provides technical assistance to individuals and groups on such matters as grant writing, availability of funds, arts resources, and other arts project assistance. In addition, Five Wings produces a monthly newsletter which addresses arts concerns, opportunities, and activities throughout the region.

COMMUNITY DEVELOPMENT

Region 5 continues to provide technical assistance in completing grant applications. Region 5 staff prepared grant applications to the Central Minnesota Initiative Fund for the City of Garrison, Belle Prairie Township and Crow Wing County.

Technical Assistance was provided in the area of planning and zoning. The Crow Wing Township Comprehensive Plan was completed and adopted by the Town Board. Staff continues work on the Belle Prairie Township Comprehensive Plan. In addition, staff is in the process of updating the shoreland regulations and zoning ordinance for the City of Garrison and completing a comprehensive plan for the City.

Technical and informational assistance was provided to local units of government at all levels, including townships, cities and counties in Region 5.

ECONOMIC DEVELOPMENT

The North Central Economic Development Administration, Inc., administrator of the Region 5 Business Loan Fund, approved thirteen (13) loans totalling \$322,550 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.

Overall Economic Development Plan (OEDP) Update 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 updated the 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 authored EDA-101P & ED101A grant applications for funding assistance to expand Baxter's Industrial Park.

Staff authored an ED101P grant application for funding assistance to extend sewer & water services to a business in Hackensack.

Staff conducted site visitations in all five counties to monitor the Rural Rehabilitation Pilot Project Program.

PHYSICAL RESOURCES

The Commission, through its Transportation Council (TC), has continued to monitor local, state, and federal transportation legislation which has regional significance. The TC makes recommendations to the Minnesota Department of Transportation on transportation projects impacting the area.

During the past year, Region 5 has assisted Mn/DOT in the implementation of the Intermodal Surface Transportation and Efficiency Act. In addition, the TC made recommendations to Mn/DOT on functional classification and the National Highway System.

Technical assistance was provided in transit planning. On-site visits were completed for all Section 16 Transit providers. Regional meetings were held to identify transit issues in the five-county area.

Region 5 hosted a regional Tree City workshop. Staff provided information on urban forestry programs to local units of government.

Information was disseminated on environmental topics, including solid waste management, water quality and wetlands preservation.

Census information was provided to data users through Region 5's role as a Census Data Affiliate. Businesses were provided information through the Economic Business Information Network (EBIN).

Region 5 continues to assist local units of government in financing recreational facilities through the Outdoor Recreation Grant Program.

TECHNICAL PLANNING

Planning is coordinated through the Transportation Council. This program provides technical assistance to all local governments.

The Township Road Recording Program 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. Interest in planning and zoning at the township level has created calls for information and advice regarding technical processes used for decision-making on zoning needs.

General cartography continues to coordinate mapping projects with all other Region 5 program areas.

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. In addition, Region 5 staff is coordinating with the Association in developing useful guideline materials as needed for township management.

Region 5 staff held a Gravel Specification workshop and Rural Fire Contract workshop. 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 FY93R1 and Proposed FY94

<u>REVENUES</u>	FY93R1	FY94	<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	5,000	5,000	-0-
In-Kind	1,400	1,400	-0-
EDA Planning	55,500	55,000	- 500
MN State Arts Board	23,130	21,820	- 1,310
McKnight Foundation	2,100	2,100	-0-
MN Board on Aging Administration	81,360	78,873	- 2,487
Community Health Services	17,042	17,114	+ 72
North Central EDA, Inc.	17,950	17,478	- 472
MN High School for the Arts	12,375	12,500	+ 125
MN Department of Transportation	27,000	27,000	-0-
Urban Mass Transit Administration	4,871	4,871	-0-
Sub-Total Program Revenues	\$ 380,279	375,707	- 4,572
Direct Assistance			
Aging	\$ 884,448	\$ 884,448	-0-
Arts	65,035	65,501	+ 466
Revolving Loan	200,000	200,000	-0-
Sub-total Direct Assistance	\$1,149,483	\$1,149,949	+ 466
Total Agency	\$1,529,762	\$1,525,656	- 4,106

REGION 5 DEVELOPMENT COMMISSION
REVENUE AND EXPENDITURES COMPARISON
Current FY93R1 and Proposed FY94

	FY93R1	FY94	
	CURRENT	PROPOSED	
<u>EXPENDITURES</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>DIFFERENCE</u>
Salaries	\$ 140,385	\$ 145,950	+ 5,565
Benefits @ 26.80%	39,802	39,107	- 695
Sub-total Personnel	180,187	185,057	+ 4,870
Commission Benefits	1,000	1,000	-0-
Consultants	7,500	7,500	-0-
Staff Travel	15,400	15,120	- 280
Consultant Travel	200	480	+ 280
Commission Travel	6,500	6,500	-0-
Commission Per Diem	12,000	12,000	-0-
Council Travel	2,562	2,562	-0-
Repro & Printing	1,550	1,550	-0-
Telephone	1,100	1,100	-0-
Rent	4,066	4,066	-0-
Staff Car Expenses	3,600	3,600	-0-
Postage	750	750	-0-
Supplies	1,425	1,425	-0-
Insurance - Office	3,410	3,410	-0-
Equipment	3,000	12,500	+ 9,500
Maintenance - Equipment	25	25	-0-
Books & Publications	3,700	3,700	-0-
Workshops	3,000	3,000	-0-
Miscellaneous	3,100	3,100	-0-
Indirect Costs @ 57.58%	120,783	106,554	-14,229
Total Operating	\$ 374,858	\$ 374,999	+141
In-Kind	1,400	1,400	-0-
Total Program Administration	\$ 376,258	\$ 376,399	+141
Direct Assistance			
Area Agency on Aging	\$ 884,448	\$ 884,448	-0-
Arts	65,035	65,501	+466
Revolving Loan	200,000	200,000	-0-
Sub-total Direct Assistance	\$1,149,483	\$1,149,949	+466
Total Agency Budget	\$1,525,741	\$1,526,348	+607
Excess Revenues Over (Under) Expenditures	\$ 4,021	\$ (692)	- 4,713
Fund Balance July 1	147,515	151,536	+4,021
Fund Balance June 30	151,536	150,844	-692

FY94AR.ADM/mt

GARY W. PAULSON

Certified Public Accountants

61 First Avenue NE

Little Falls, MN 56345

(612) 632-3656

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Commission Members
Region 5 Development Commission
Staples, MN 56479

We have audited the general purpose financial statements of Region 5 Development Commission for the year ended June 30, 1992 and have issued our report thereon dated January 12, 1993.

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 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 the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statement of Region 5 Development Commission for the year ended June 30, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the 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, 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitation 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:

Treasury or financing
Revenue/receipts
Purchases/disbursements
External financial reporting
Payroll/Personnel
Cost Allocation

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions 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 judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties

An inherent weakness in the accounting system of any organization with a limited number of accounting personnel is the lack of proper segregation of duties. With few accounting employees, those employees must be involved in the performance of accounting functions that are not compatible (i.e.: proper segregation of duties would require that the person receiving and reconciling the bank statements be someone not involved in writing checks or making deposits). Such segregation does not exist within the Commission.

While we certainly do not advocate any wrong doings, we wish to point out to the Commissioners the importance of their involvement in reviewing monthly transactions since increasing the accounting staff size is not cost justified.

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 financial statement being audited 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 reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe the reportable condition described above is a material weakness.

This report is intended for the information of the Commission, the Commission's management, and the federal and state funding agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Gary W. Paulson, CPA

Gary W. Paulson
Certified Public Accountant

January 12, 1993

OUR REF:PPC855.05 (5/92)