

REGION 5 DEVELOPMENT COMMISSION

ANNUAL REPORT

JULY 1, 1993 - JUNE 30, 1994

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Chairperson's Report

August 1, 1994

The Region 5 Development Commission has embarked on a series of new initiatives during the year which began on July 1, 1993 and which ended on June 30, 1994. Of major importance was the Commission's sponsorship of the Health Care Reform town meeting in Brainerd, which brought health care consumers and providers together to share their concerns and to provide input into the public dialogue now being conducted throughout our State and throughout the nation. In a different area, the Commission, for the first time, became an integral part in determining which transportation projects would be funded under the new Federal Highway Act. In yet another departure, the Commission has become involved in the development of a Federal Community Enterprise Zone for parts of Wadena and Todd counties. Much work remains to be done on these initiatives, but it is vitally important that the Region 5 Development Commission be on the cutting edge of the changes which are sweeping through our society.

The regular work of the Commission continues: The Region 5 Area Agency on Aging funds programs designed to keep older persons as independent as possible, with preventive care and in-home health care programs as the top priority. The Region 5 Five Wings Arts Program funds arts projects designed to promote artistic development throughout the five-county area. The Region 5 Business Loan Fund continues to promote business expansion and start-ups and the Region 5 Transportation Program and the Township Programs continue to respond to the needs of our local units of government.

In conclusion, the Region 5 Development Commission is performing well in achieving its mission and in responding to the needs of the people we serve. Given the current fiscal restraints and the need to make all units of government more accountable for their expenditure of public funds, I am pleased to report that the Commission is meeting the public's expectations in terms of services rendered and of needs being met and that we will continue to meet these expectations to the best of our ability.

Sincerely,



Donna Good, Chairperson
Region 5 Development Commission

COMMISSION MEMBERSHIP
(As of June 30, 1994)

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
John Thompson, Cass Lake

Council of Governments
Leech Lake Tribal Council

REGION 5 SCHOOL BOARDS

William Higgs, Wadena
Herman Pietrowski, Little Falls

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Ted Winkels, Verndale

Soil & Water Conservation
District

BOARD OF DIRECTORS
(As of June 30, 1994)

Donna Good, Chairperson
Paul Nieman, Jr., Vice-Chairperson
Herman Pietrowski, Secretary
Stan Sumey, Treasurer
Fred Martin, Director
Gene Goedker, Director
Ralph Lorentz, Director

STAFF
(As of June 30, 1994)

ADMINISTRATION

Leyten Fontaine, Executive Director
Nancy Stevens, Controller/Executive Assistant
Lori Verlennich, CHS Coordinator/Secretary

AREA AGENCY ON AGING

Barbara Card, Director
Shelly Stevens, Grants Manager

ARTS

Mark Turner, Arts Coordinator/Office Manager

COMMUNITY DEVELOPMENT

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

ADVISORY COUNCILS
(As of June 30, 1994)

ECONOMIC DEVELOPMENT TASK FORCE

Robert Olson, Pequot Lakes

REPRESENTING

Chairperson

COUNTY

Region 5 DC

COUNCIL ON AGING

Kenneth Johnson, Staples
Mary Ann Norton, Walker
Gloria Norman, Pine River
Richard Ashmun, Merrifield
Margaret Newstrom, Deerwood
Steve Reger, Little Falls
Faith Arboleda, Pine River
Nellie Zacharda, Motley
Robert Landgren, Swanville
Vonda Hedlund, Clarissa
George Green, Grey Eagle
Lucy Andrie, Wadena
Dale Paulsen, Verndale
Karen Nelson, Wadena

REPRESENTING

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

COUNTY

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

FIVE WINGS ARTS COUNCIL

Bill Kern, Verndale
Bette Green, Hackensack
Dorothy Harrington, Hackensack
Christine Nick, Pequot Lakes
John Beard, Brainerd
Liz Dunn, Brainerd
Mary Warner, Little Falls
Frank Gosiak, Little Falls
Donn Harris, Eagle Bend
David Bengston, Long Prairie
Ethel Luukkonen, Sebeka
Kathy Arretche, Sebeka

REPRESENTING

Chairperson
Visual Arts
Music
Music
Music
Music & Drama
Visual Arts
Visual Arts
Music
Literary Arts
Music
Literary Arts

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

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
Jim Lawson, Wadena
Howard Warnberg, Little Falls
Fred Martin, Akeley

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

COORDINATION

During Fiscal Year 1994, 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 include 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 1994.

TABLE 1 - SERVICES PROJECTED FOR 1994

	<u>NUMBER OF UNITS</u>	<u>NUMBER OF UNDUPLICATED PARTICIPANTS</u>
Congregate Meals	192,360 meals	5,900
Home Delivered Meals	97,300 meals	1,450
SUB-TOTAL	289,660	7,350
Assessment/Screening	2,312 hours	45
Housekeeping	10,237 hours	152
Home Health Aide	5,941 hours	73
Treatment	202 hours	67
Transportation	650 one-way trips	210
Respite	495 contacts	5
Adult Day Care	390 hours	1
SUB-TOTAL	20,277	553
Legal Education	265 hours	444
Legal Cases	852 hours	183
SUB-TOTAL	1,117	627
Routine Health Screening	378 visits	1,029
Frail Elderly	1,106 hours	25
Senior Center Renovation	xxxxx	300
TOTAL	312,488	9,884

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 \$1.5 million. Table 2 identifies the type of funds used to finance a wide array of services:

TABLE 2 - FUNDS DISTRIBUTED IN 1994

<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	\$391,371	\$100,811		\$341,932
Home Delivered Meals	143,107	12,487	\$ 5,300	147,392
SUB-TOTAL	\$534,478	\$113,298	\$ 5,300	\$489,324
Housekeeping	\$ 67,325		\$ 67,325	
Home Health Aide	47,815		47,815	
Assessment/Screening	19,885		19,885	
Treatment	2,024		2,024	
Transportation	12,754			6,038
Respite	2,951		2,951	
Adult Day Care	2,136			1,424
SUB-TOTAL	\$154,881		\$140,000	\$ 7,462
Legal Education	\$ 6,799			\$ 6,799
Legal Cases	15,201		650	15,201
SUB-TOTAL	\$ 22,000		\$ 650	\$ 22,000
Health Screening	\$ 18,455		\$ 18,455	\$ 3,470
Frail Elderly	6,764		\$ 6,764	
Sr. Center Renovation	10,714			3,572
SUB-TOTAL	\$ 35,933		\$ 25,219	\$ 7,042
TOTAL	\$747,292	\$113,298	\$171,169	\$525,828

Several important projects and activities were either initiated or completed throughout the year. The 12th Annual Conference entitled "Yesterday, Today, and Tomorrow" was held in Brainerd. The keynote speaker gave a speech entitled, "Fun Isn't Just for Kids." Other workshop topics included: Wild & Free; Advance Directives; The New Age of Aging; Issues Sensitive to the Aging Population; Do It Yourself-Prevent Injuries; and a panel discussed our changing Health Care System.

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 \$74,268 in grant monies in FY94. This amount includes \$9,300 of McKnight Foundation funds for semi-professional arts organizations and \$2,883 for Individual Artist grants. Five Wings also awarded \$62,085 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>
Pequot Lakes Class of '94	Crow Wing	\$ 3,500
MN Arts Network	Wadena	300
Brainerd Youth Orchestra	Crow Wing	3,000
Morrison County Social Services	Morrison	500
BCC Theatre	Crow Wing	2,000
St. Francis Music Center	Morrison	580
Heartland Symphony	Crow Wing	2,000
Brainerd Area Arts Alliance	Crow Wing	2,500
Lamplighter Community Theatre	Todd	2,500
Wadena County Fair	Wadena	500
K-6 Fine Arts Committee	Wadena	640
Let's Make Music	Morrison	500
Hole in the Day Players	Morrison	1,000
Deep Portage	Cass	2,000
Upnorth Family Theatre	Crow Wing	2,500
Menahga Chamber of Commerce	Wadena	300
Leech Lake Arts League	Cass	1,050
Freshwater Education Dist.	Todd	1,000
St. Francis Music Center	Morrison	990
Heartland Symphony	Crow Wing	1,500
Vacationland Figure Skaters	Morrison	2,000
Great River Arts Association	Morrison	1,500
Great River Arts Association	Morrison	2,000
Leech Lake Arts League	Cass	900
Wadena Fine Arts Committee	Wadena	175
LP/Grey Eagle H.S.	Todd	1,200
BCC (Music Dept.)	Crow Wing	700
Pioneer Elementary	Wadena	400
North Elementary	Todd	700
Todd Co. Social Services	Todd	200
MN Arts Network	Wadena	500
Pioneer Elementary	Wadena	1,000
Greater Lakes Performing Arts	Crow Wing	2,000
Brainerd Youth Orchestra	Crow Wing	1,000
Staples CAPP	Todd	1,000
Lindbergh Fresco	Morrison	1,000
Browerville Days Committee	Todd	800
Eagle Valley CAPP	Todd	1,000
K-6 Fine Arts	Wadena	200
Madhatters	Wadena	1,500
Menahga Schools	Wadena	1,950
Upnorth Family Theatre	Crow Wing	3,500
Northwoods Arts Council	Cass	6,000
Lamplighter Community Theatre	Todd	2,000
TOTAL		\$ 62,085

TABLE 2
MCKNIGHT FOUNDATION FUNDS AWARDED

<u>AGENCY</u>	<u>COUNTY</u>	<u>AMOUNT FUNDED</u>
Staples CAPP	Todd	\$ 2,000
Brainerd Youth Orchestra	Crow Wing	150
St. Francis Music Center	Morrison	100
Great River Arts	Morrison	1,500
Hole in the Day Players	Morrison	1,050
Emily Community Center	Crow Wing	4,500
TOTAL		\$ 9,300

MCKNIGHT INDIVIDUAL ARTIST AWARDS

<u>APPLICANT</u>	<u>COUNTY</u>	<u>AMOUNT FUNDED</u>
Kathy Porwall	Crow Wing	\$ 500
Deanne Skogen	Wadena	333
Mary Warner	Morrison	500
Diane Silbernagel	Todd	250
Deborah Blackburn	Cass	300
Thomas Dunn	Todd	500
Dennis Hilts	Todd	500
TOTAL		\$ 2,883

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 15 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 Little Falls Township.

Technical Assistance was provided in the area of planning and zoning. The Belle Prairie Township Comprehensive Plan was completed and adopted by the Town Board. Garrison Shoreland Regulations and Zoning Ordinance were completed. A Comprehensive Plan for the City of Garrison is being completed. A community survey for Little Falls Township is near completion.

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 fourteen (14) loans totalling \$360,043 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) Annual Report 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.

Staff developed an economic blueprint for Region 5 and persisted in developing a blueprint for the 14 county Central MN Challenge Grant Region.

Staff completed the Rural Rehabilitation Pilot Project.

Staff authored an ED-101P grant application for funding assistance to develop an industrial park in the City of Pierz.

Staff is providing assistance to the City of Brainerd to develop an ED-101P grant application for funding assistance to expand their industrial park.

Staff is providing assistance to the City of Pequot Lakes to develop an ED-101-P grant application for funding assistance to develop an industrial park.

Staff is providing assistance to the City of Verndale to develop an ED-101P grant application for funding assistance to extend sewer and water to an expanding wood products manufacturer.

Staff is providing assistance to Crow Wing County/City of Riverton to develop an ED-101P grant application for funding assistance to make road improvements for an expanding manufacturing company.

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.

Region 5 solicited and ranked all transportation projects in the Region 5 counties

A transit study was completed for the Region 5 area identifying transit needs and alternatives for meeting those needs. Region 5 continued to provide technical assistance in the area of transit planning.

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 Gravel Road Maintenance, and Road Sign Maintenance and Replacement. Township Planning and Zoning Issues research leading to a potential workshop/Township Land Use Issues organization is being carried out. Work continues on the development of a Town Road Construction/Maintenance - Re-Construction/Materials Specification Guideline Manual.

FY94AR.ADM/mt

Region 5 Development Commission
Fiscal Year 1995 Budget
Date: March 21, 1994

Revenue Comparison
Current FY94R2 and Proposed FY95

Revenues	Approved Budget	Proposed Budget	Difference
Technical Assistance	8,500	10,000	1,500
Local Levy	134,000	134,000	0
Interest Income	9,416	9,000	(416)
In-Kind	1,400	1,400	0
EDA Planning	55,000	55,000	0
MN State Arts Board	25,949	29,200	3,251
McKnight Foundation	2,100	2,100	0
MN Board on Aging Administration	83,466	87,394	3,928
Health Care Financial (HCFA)	2,600	0	(2,600)
Community Health Services	15,973	20,049	4,076
North Central EDA, Inc.	34,206	32,835	(1,371)
MN Center for Arts Education	13,750	13,750	0
MN Department of Transportation	52,000	37,000	(15,000)
Urban Mass Transit Administration	0	0	0
East Central RDC (7E) (DTED)	4,000	0	(4,000)
Central MN Initiative Fund	452	0	(452)
			0
Subtotal Program Revenues	442,812	431,728	(11,084)
Direct Granting Assistance			
Area Agency on Aging	862,904	855,886	(7,018)
Five Wings Arts	76,983	58,876	(18,107)
EDA Revolving Loan Fund	168,750	0	(168,750)
Subtotal Granting Assistance	1,108,637	914,762	(193,875)
TOTAL AGENCY REVENUES	1,551,449	1,346,490	(204,959)

Region 5 Development Commission
Fiscal Year 1995 Budget
Date: March 21, 1994

Expenditure Comparison
Current FY94R2 and Proposed FY95

Expenditures	Approved Budget	Proposed Budget	Difference
Salaries	152,221	159,214	6,993
Fringe Benefits @ 27.93%	43,862	44,464	602
Subtotal Personnel	196,083	203,678	7,595
Compensatory Time	7,100	7,050	(50)
Commission Benefits	1,000	1,000	0
Consultants/Mentor/etc.	9,300	7,500	(1,800)
Staff Travel	17,258	12,076	(5,182)
Consultant Travel	880	474	(406)
Commission Travel	6,500	6,500	0
Commission Per Diem	12,000	12,000	0
Council Travel	3,367	2,612	(755)
Reproduction and Printing	5,200	3,673	(1,527)
Telephone	1,100	1,400	300
Rent	5,016	5,016	0
Staff Car Usage	3,600	2,650	(950)
Postage	1,200	1,050	(150)
Supplies	1,668	927	(741)
Insurance - Office	3,510	3,410	(100)
Equipment	12,500	9,000	(3,500)
Maintenance - Equipment	1,500	1,500	0
Books, Reports & Memberships	3,661	3,010	(651)
Workshops/Conferences	6,378	5,300	(1,078)
Miscellaneous Expense	5,142	2,175	(2,967)
Subtotal Direct Costs	303,963	292,001	(11,962)
In-Kind	1,400	1,400	0
Total Direct Costs	305,363	293,401	(11,962)
Indirect Costs @ 68.31%	117,437	139,137	21,700
TOTAL PROGRAM COSTS	422,800	432,538	9,738
Direct Granting Assistance			
Area Agency on Aging	862,904	855,886	(7,018)
Five Wings Arts Program	76,983	58,876	(18,107)
EDA Revolving Loan Fund	168,750	0	(168,750)
Subtotal Granting Assistance	1,108,637	914,762	(193,875)
TOTAL R5 AGENCY BUDGET	1,531,437	1,347,300	(184,137)
Excess Revenues Over (Under) Expenditures	20,012	(810)	(20,822)
Fund Balance 7/1/94	173,497	193,509	20,012
Fund Balance 6/30/95	193,509	192,699	(810)

GARY W. PAULSON

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

61 First Avenue NE
Little Falls, MN 56345
(612) 632-3656
FAX (612) 632-3657

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, 1993, and have issued our report thereon dated December 15, 1993. We have also audited Region 5 Development Commission's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 15, 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 Office of Management and Budget (OMB) 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 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.

In planning and performing our audit of the year ended June 30, 1993, we considered the Commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the District's general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed the internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 15, 1993.

The management of Region 5 Development Commission, is responsible for establishing and maintaining an internal control structure. In fulfilling the responsibility, estimates and judgements 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 no absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that 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 used in administering federal financial assistance programs, in the following categories:

General Requirements

- Political Activity
- Civil Rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free Workplace Act
- Administrative requirements

Specific Requirements

- Types of services allowed or not allowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost Allocation

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, 1993 Region 5 Development Commission expended 62 percent of its total federal financial assistance under the following federal financial assistance programs:

- CFDA# 93.045 & 93.635 Title IIIC (1) & (2) - Major Program
- CFDA# 93.044 & 93.633 Title IIIB - Nonmajor Program

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 have 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 each of the commission's federal financial assistance programs listed above and identified in the accompanying schedule of federal financial assistance. 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 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 Commission's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

SEGREGATION OF DUTIES

Criteria - Good internal controls are essential to achieving the proper conduct of government business with full accountability for the resources made available. These controls also facilitate the achievement of management objectives by serving as checks and balances against undesired actions. An entity's internal control structure consists of the policies and procedures established to provide reasonable assurance that specific entity objectives will be achieved.

Condition - The entity's internal control structure lacks a proper segregation of duties.

Effect - Accounting functions that are not compatible (i.e.: the person reconciling bank statements should not be the same person that writes checks, makes deposits, or posts to the journals and ledgers) are performed under one person's immediate control.

Cause - The size of the entity does not justify the cost that would be required to implement controls that would allow for proper segregation of duties.

Recommendation - The Commission members should be aware that the condition does exist and that it is not cost justifiable to correct it. As such, ongoing interaction with management and reviewing monthly transactions should be standard procedure.

The Entity's Response - The Commission and management understand the conditions and the fact that the cost to correct it outweighs the benefits. They will continue to interact regularly and the Board of Directors and Commission will continue to review monthly transactions.

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 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

December 15, 1993

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