

REGION 5 DEVELOPMENT COMMISSION

ANNUAL REPORT

JULY 1, 1996 - JUNE 30, 1997

**Prepared By: Region 5 Development Commission
611 Iowa Avenue
Staples, Minnesota 56479
218/894-3233**

RECEIVED

JUL 24 1997

TABLE OF CONTENTS LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

	<u>PAGE</u>
CHAIRPERSON'S LETTER	1
COMMISSION MEMBERSHIP	2
BOARD AND STAFF	3
ADVISORY COUNCILS/TASK FORCES	
Economic Development	4
Health Care Task Force	4
Council on Aging	4
Five Wings Arts Council	4
Transportation Council	4
COORDINATION/INFORMATION	5
PROGRAMS FOR OLDER PERSONS	5
CULTURAL ACTIVITIES	8
COMMUNITY DEVELOPMENT	10
ECONOMIC DEVELOPMENT	10
PHYSICAL RESOURCES	11
TECHNICAL PLANNING	12
BUDGET SUMMARY REVENUES	14
BUDGET SUMMARY EXPENDITURES	15
AUDITOR'S LETTER	16



TEL: (218)894-3233

611 Iowa Ave. Staples, Minnesota 56479-2224

FAX: (218)894-1328

TDD: (218)894-2019

Chairperson's Report

July 1, 1997

The Region 5 Development Commission was able to make noticeable progress on several fronts throughout FY1997: Increased business activity through the Region 5 Business Loan Fund; Steady development of the Arts through the Five Wings Arts program; Continued work on a wide variety of Township and Small Cities projects, ranging from road easement recording to comprehensive plans; A sharper focus on critical transportation needs through the Region 5 Transportation Council; Concentrated advocacy efforts through the Region 5 Health Care Task Force. Overall, a busy and productive year.

Of particular note was the successful transition of the Region 5 Senior Nutrition Program from a grant-based system to a performance-based contract; Nutrition Services, Inc., of Waseca, was awarded the new contract, and is off to good start. We appreciate the efforts of those who worked long and hard to make the transition smooth and efficient.

Although record-setting floods have occurred to the west of us, and all of us have experienced a harsh winter, the Region 5 Development Commission has sharpened its resolve to meet the public's expectations. As the newly-elected Chairperson of the Commission, I am pleased to report that the Region 5 Development Commission is on-track and moving forward.

Sincerely,

A handwritten signature in cursive script that reads 'Robert Erdrich'.

Robert Erdrich, Chairperson
Region 5 Development Commission

ARFY97LT.ADM/lv

COMMISSION MEMBERSHIP
(As of June 30, 1996)

CASS COUNTY REPRESENTATIVES

Jim Demgen, East Gull Lake
Ardean Brasgalla, Cass Lake
Fred Martin, Akeley

Board of Commissioners
Municipalities
Town Boards

CROW WING COUNTY REPRESENTATIVES

Paul Thiede, Pequot Lakes
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
Glenda Kotula, Staples
Don Thiel, Staples

Board of Commissioners
Municipalities
Town Boards

WADENA COUNTY REPRESENTATIVES

Ralph Lorentz, Wadena
Barbara Halvorson, Menahga
William Kern, Verndale

Board of Commissioners
Municipalities
Town Boards

CITY OF BRAINERD REPRESENTATIVE

Gene Goedker, Brainerd

City of Brainerd

COUNCIL OF GOVERNMENTS

Robert Erdrich, Little Falls
Vacant, Cass Lake

Little Falls Area COG
Leech Lake Tribal Council

REGION 5 SCHOOL BOARDS

William Higgs, Wadena
Barbara Schmitt, Staples

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Ted Winkels, Verndale

Soil & Water Conservation
District

BOARD OF DIRECTORS
(As of June 30, 1997)

Bob Erdrich, Chairperson
Stan Sumey, Vice-Chairperson
Donna Good, Secretary
Ted Winkels, Treasurer
Paul Nieman, Jr., Director
Fred Martin, Director
Ralph Lorentz, Director

STAFF
(As of June 30, 1997)

ADMINISTRATION

Leyten Fontaine, Executive Director
Nancy Stevens, Controller/Executive Assistant
Lori Verlennich, Office Manager

AREA AGENCY ON AGING

Barbara Card, Director
Renee Frethem, Grants Manager

ARTS

Mark Turner, Five Wings Arts Coordinator

COMMUNITY DEVELOPMENT

Jason Murray, Economic Development Planner
Roger Germann, Technical Planner
Mary Safgren, Community Development Planner

ADVISORY COUNCILS/TASK FORCES
(As of June 30, 1997)

<u>ECONOMIC DEVELOPMENT TASK FORCE</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
Robert Olson, Pequot Lakes	Advisor	Region 5 DC

<u>HEALTH CARE TASK FORCE</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
Mary Koep, Brainerd	Consumer Rep.	Region 5 DC
Don Thiel, Staples	Region 5 DC/Chairman	Region 5 DC
David Jessop, Staples	Insurance/Risk Mgt.	Region 5 DC
Dr. Arden Anderson	Consumer Rep.	
Dr. William Beasley	Health Care Professional	

<u>COUNCIL ON AGING</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
Barbara Halvorson, Menahga	Chairperson	Region 5 DC
Gloria Norman, Pine River	Seniors	Cass County
Ken Johnson, Staples	Seniors	Cass County
Wayne Abell, Breezy Point	Seniors	Crow Wing County
Carolyn Frisch, Brainerd	Seniors	Crow Wing County
Marvin Lavalla, Royalton	Seniors	Morrison County
Marvin Swecker, Motley	Seniors	Morrison County
Vonda Hedlund, Clarissa	Seniors	Todd County
Dorothy Berscheit, Grey Eagle	Seniors	Todd County
Rachel Schluttner, Verndale	Seniors	Wadena County
William Larson, Wadena	Seniors	Wadena County
Gwen Leiferman, Brainerd	Public Health	Region 5
Steve Reger, Little Falls	Social Services	Region 5
Lenny Wheeler, Brainerd	Nutrition	Region 5

<u>FIVE WINGS ARTS COUNCIL</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
William Higgs, Wadena	Chairperson	Region 5 DC
Sheila Hunter, Hackensack	Music	Cass County
Sara Hanlon, Brainerd	Visual Arts	Cass County
Christine Nick, Pequot Lakes	Music	Crow Wing County
Patrick Spradlin, Brainerd	Theatre	Crow Wing County
Janice Bradshaw, Brainerd	Music/Literary	Crow Wing County
Donna Jarvis, Cushing	Visual Arts	Morrison County
DeAnna Gehant, Little Falls	Visual Arts	Morrison County
Donn Harris, Eagle Bend	Music	Todd County
David Bengtson, Long Prairie	Literary Arts	Todd County
Vickie Paurus, Sebeka	Music/Drama	Wadena County
Gail Levenson, Wadena	Visual Arts	Wadena County

<u>TRANSPORTATION COUNCIL</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
Paul Nieman Jr. , Little Falls	Chairperson	Region 5 DC
Dave Enblom, Walker	Co. Hwy. Engineer	Cass County
Duane Blanck, Brainerd	Co. Hwy. Engineer	Crow Wing County

Jeff Hulsether, Brainerd
Steve Backowski, Little Falls
Jerry Lochner, Little Falls
Duane Lorsung, Long Prairie
Russell Larson, Wadena
Steve Voss, Brainerd
Lee Johnson, Nisswa
Howard Warnberg, Little Falls
Gene Young, Little Falls
Jan Roers, Wadena

Brainerd Engineer
Co. Hwy. Engineer
City Services Mgr.
Co. Hwy. Engineer
Co. Highway Engineer
Transportation
Airports
Railroads
Townships
Transit

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

COORDINATION

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 is 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 the legislature.

INFORMATIONAL SERVICES

The 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 state data banks, referrals and two newsletters published and distributed 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. Three primary roles for the Area Agency on Aging are linking people to information; building community; and promoting prudent stewardship. The main strategy for linking people to information is the Senior Linkage Line. The Area Agency on Aging provides this service directly and is working with the Minnesota Board on Aging to establish statewide standards of practice in the delivery of information and assistance.

To guide its activities, the Region 5 Area Agency on Aging has prepared an Area Plan for 1997-1999. Based on the priorities established in this Plan, Table 1 shows the services which are projected for 1997.

TABLE 1 - SERVICES PROJECTED FOR 1997

	<u>Number of Units</u>		<u>Number of Unduplicated Participants</u>
Congregate Meals	180,000	meals	7,295
Home Delivered Meals	<u>90,525</u>	meals	<u>1,625</u>
	270,525		8,920
Case Management	2,224	hours	98
Homemaking	10,753	hours	171
Home Health Aide	4,493	hours	82
Health Screening	176	hours	205
Treatment	26	hours	85
Transportation	2,000	one-way trips	150
Respite	362	hours	6
Information & Assistance	366	contacts	366
Education/training	<u>2,000</u>	contacts	<u>2000</u>
TOTAL	22,400		3163
Legal Education	26	sessions	216
Legal Cases	<u>875</u>	hours	<u>143</u>
TOTAL	901		359
Frail Elderly	55	contacts	55
Health Promotion	1224	hours/sessions	1497

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 \$1.6 million. Table 2 identifies the type of funds used to finance a wide array of services:

**TABLE 2
FUNDS DISTRIBUTED IN 1997**

SERVICE	FEDERAL FUNDS	STATE FUNDS	COUNTY FUNDS/ IN-KIND	PRIVATE FUNDS/ IN-KIND
Congregate Meals	244,210	100,811	0	304,355
Home Delivered Meals	<u>173,245</u>	<u>31,608</u>	<u>0</u>	<u>170,962</u>
Sub-Total	417,455	132,419	0	475,317
Homemaking	69,420		69,419	15,680
Home Health Aide	35,892		35,892	6,940
Assessment/Screening	4,300		4,300	80
Transportation	5,050		5,050	830
Respite	2,900		2,901	300
Information & Assistance	13,400		4,467	1,500
Education/Training	<u>2,550</u>			<u>850</u>
Sub-Total	133,512		122,029	26,180
Legal Education	3,637			3,637
Legal Cases	<u>20,363</u>			<u>20,612</u>
Sub-Total	24,000			24,249
Frail Elderly	8,319			5,546
Health Promotion	13,810		9,892	
TOTAL	597,096	132,419	131,921	531,292

Several important projects and activities were either initiated or completed throughout the year. The 15th Annual Conference entitled "Live It Up...Don't Give It Up" was held with approximately 230 persons in attendance.

Workshops topics included: But I Can't Volunteer...I'm Too Busy; Wild About Birds; Gardening; Understanding The Health Care Reform Debate; and "Beyond Low-Fat".

The AAA disseminated volumes of information on services, insurance, Medicare, Social Security, the Senior Linkage Line, etc. There were nearly 400 calls on the Senior Linkage Line in 1996.

In 1996, the AAA contracted for nutrition services rather than granting with the good of assuring ongoing competition, high quality, and cost effective services to our consumers.

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 \$64,255 in grant monies in FY97. This amount includes \$11,100 of McKnight Foundation funds for semi-professional arts organizations and \$2,500 for individual artist grants. Five Wings awarded \$50,655 of Minnesota State Arts Board grant funds for sponsorship activities and/or art 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>\$ FUNDED</u>
Bug-O-Nay-Ge-Shig School	Cass	1,500
Pierz ISD #484	Morrison	300
Brainerd Area Youth Orchestra	Crow Wing	1,200
Central Lakes College Theatre	Crow Wing	1,500
Menahga Civic & Commerce	Wadena	400
Sebeka Fine Arts Committee	Wadena	1,700
Heartland Plays	Todd	900
Lamplighter Community Theatre	Todd	1,600
Piecemakers Quilt Group	Todd	350
Freshwater Education District	Todd	1,400
Wah De Nah	Wadena	800
Northwoods Arts Council	Cass	1,600
Hole in the Day Players	Morrison	600
St. Francis Music Center	Morrison	750
Heartland Symphony Orchestra	Crow Wing/Morrison	1,200
Sebeka Public School	Wadena	600
Madhatters, Inc.	Wadena	1,300
Wadena-Deer Creek Fine Arts	Wadena	500
Hewitt Arts	Todd	500
Verndale Celebration	Wadena	500
Bug-O-Nay-Ge-Shig School	Cass	1,370
Long Prairie Community Education	Todd	427
Brainerd Youth Orchestra	Crow Wing	1,325
Little Falls Community Services	Morrison	619
Morrison Co. Social Services	Morrison	330
Brainerd Exchange Club	Crow Wing	1,680
Differing Visions Group	Crow Wing	1,269
St. Francis Music Center	Morrison	579
Hole in the Day Players	Morrison	336
Heartland Plays	Todd	1,064
Pine River-Backus Family Center	Cass	2,310
Grey Eagle Elementary	Todd	701
Freshwater Education District	Todd	2,800
Little Falls H.S.	Morrison	510
Northwoods Arts Council	Cass	1,855
Northwoods Arts Council	Cass	1,632

Nisswa Elementary	Crow Wing	2,205
Wadena-Deer Creek Fine Arts	Wadena	1,312
North Countrymen Barbershop	Crow Wing	300
Central Lakes College Theatre	Crow Wing	2,800
Art Connection	Crow Wing	948
Heartland Poets	Todd	2,423
Sebeka Fine Arts Committee	Wadena	2,280
Eagle Valley CAPP	Todd	380
Total MSAB Funds		\$ 50,655

**TABLE 2
MCKNIGHT FOUNDATION FUNDS**

<u>AGENCY</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
Great River Arts Association	Morrison	1,165
Brainerd Area Youth Orchestra	Crow Wing	1,200
Brainerd ISD #181	Crow Wing	1,750
Sebeka Fine Arts Committee	Wadena	1,000
MN Arts Network	Wadena	200
Batcher's Opera House	Todd	500
Piecemakers Quilt Group	Todd	350
Northwoods Arts Council	Cass	1,400
Heartland Symphony Orchestra	Crow Wing/Morrison	650
Wadena County Historical Society	Wadena	1,545
Wadena-Deer Creek Fine Arts	Wadena	540
Madhatters, Inc.	Wadena	800
Total Mcknight Individual Artist Funds		\$ 11,100

MCKNIGHT INDIVIDUAL ARTIST AWARDS

<u>ARTIST</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
George Griffiths	Crow Wing	500
Dennis Hilts	Todd	500
Donna Jarvis	Morrison	500
Mary Gibson	Wadena	500
Candius Nichols	Todd	500
Total Mcknight Individual Artist Funds		\$ 2,500

OTHER CULTURAL PROGRAMMING

Artist/Mentor Program The Five Wings Arts Program continues to offer scholarships worth over \$900 each to rural high school students in grades 9, 10, and 11 who

demonstrate high motivation to work in the arts. The program serves to supplement the arts education in our region's schools by providing a number of students with the opportunity to study their chosen art discipline with a regional practicing artist. The following students were awarded scholarships in FY97 and will finish their study in November, 1998:

<u>Student</u>	<u>County</u>	<u>Student</u>	<u>County</u>
Tasa Anderson	Todd	Amelia Scott	Crow Wing
Noelle Gray	Morrison	Nicolle Shaffer	Todd
Doug LaDue	Todd	Dawn Shequen	Todd
Matt Nelson	Morrison	Naomi Sveom	Todd
Dana Pantzke	Morrison	Christina Volkmuth	Crow Wing

InterART The Five Wings Arts Program collaborated with Regions 1, 2, 4 and the Minnesota Center for Arts Education in FY97 to facilitate an interdisciplinary artist residency program called InterART. The program linked two artists with two teachers for training and culminated with an intensive 40 hour school residency. Royalton High School, was the selected school site for Region 5 and an evaluation of the program and its impact is currently underway.

Technical Assistance 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 bi-monthly newsletter which addresses arts concerns, opportunities, and activities throughout the region.

COMMUNITY DEVELOPMENT

Region 5 provides technical assistance in the areas of land use planning, housing, grant writing including the preparation of small cities development block grants.

There has been an increased interest in comprehensive planning. Comprehensive plans for Little Falls Township, Browerville, Eagle Bend, and Wadena County are in progress.

Region 5 is in the process of completing a housing study for the city of Pequot Lakes. This housing study includes a household survey and employer survey.

Region 5 is exploring the feasibility of a downpayment assistance program for low-income home buyers.

ECONOMIC DEVELOPMENT

The North Central Economic Development Administration, Inc., administrator of the Region 5 Business Loan Fund, approved twelve (12) loans totaling \$312,000 for local

business development.

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

The five year Region 5 Overall Economic Development Plan (OEDP) 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 is updating the business financing resource guide and will distribute 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 is working on an emergency recovery plan for distress situations.

Staff is exploring options to recapitalize the Revolving Loan Fund.

Staff authored a pre-application for funding assistance through the Economic Development Administration (EDA) for two community projects. The projects total over \$600,000.

PHYSICAL RESOURCES

Several activities took place during FY 1997 regarding the Transportation Planning Work Program.

The Region 5 Transportation Council continued to monitor regional transportation issues and provide recommendations to the Commission. The Region 5 Transportation Council developed a Regional Transportation Improvement Program(FY 2000) as part of the Area Transportation Partnership process.

Region 5 is continuing to work on a regional tourism map. The regional tourism map will be coordinated with the development of a Scenic Byways Study. Scenic routes will be identified and included on the tourism map.

Region 5 continued to monitor Section 5310 transit vehicles. Region 5 completed onsite visits to all Region 5 grantees. A final report for CY 96 was submitted to Mn/DOT Office of Transit. Region 5 continued to provide technical assistance in the area of transit planning. As a result of the monitoring program, Morrison County is exploring the coordination of Section 5310 vehicles for public transportation. Region 5 continues to facilitate transportation provider meetings.

Region 5 continued to work with the Region 5 County Solid Waste Officers on the

Waste Reduction Project funded by USDA, Rural Utilities Service. Workshops for schools, auto repair businesses and general businesses were conducted and distributed to the counties to use in their educational efforts. Mobile educational displays were also completed for each county.

.Census information was provided to businesses, local units of government, organizations and individuals as part of Region 5's responsibilities as a Census Data Affiliate. Region 5 continues to provide information through DATANET, an online service through Minnesota Planning.

Region 5 continued to provide information to local units of government on funding for tree planting projects. Region 5 assisted in the review of DNR grant applications for funding tree plantings.

In addition, information was provided on wetlands regulations, solid waste management and water quality.

TECHNICAL PLANNING

Planning in the areas of transportation and land use, with transportation planning coordinated through the Transportation Council with an emphasis on township transportation issues, and with Land Use planning geared to technical planning and mapping for townships and small cities such as Land Use Plans, Zoning Ordinances, Land Use Maps, and Community Surveys.

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.

Planning and Zoning Map projects have been completed as requested. Interest in planning and zoning at the township level has created interest in calls for information and advice regarding technical processes used for decision-making on zoning needs.

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

Our program efforts toward townships are enhanced by the ongoing 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.

Staff anticipates holding workshops dealing with Township Comprehensive Plans. Township Planning and Zoning Issues research is being carried out. In view of the State-sponsored "Sustainable Development" basis for partnership for comprehensive

planning, the relationship and potential for county-township-city partnership based on "community" are being studied to determine applicability to Region 5 local government. Work continues on the development of a Town Road Construction/Maintenance - Re-Construction/Materials Guideline Manual.

ARFY97.ADM/iv

Region 5 Development Commission
Estimated Fiscal Year 1998 Budget

06/02/97

<i>Revenue Comparison</i> <i>Current FY97R2 and Estimated FY98</i>			
Revenues	Approved Budget	Proposed Budget	Difference
Technical Assistance	10,000	24,975	14,975
Local Levy	153,000	170,000	17,000
Interest & Miscellaneous Income	10,500	10,500	0
In-Kind	7,800	5,900	(1,900)
EDA Planning	52,000	52,000	0
MN State Arts Board	44,406	54,497	10,091
McKnight Foundation	2,400	2,400	0
MN Board on Aging Administration	85,351	85,307	(44)
RECD (Formerly FMHA)	47,356	17,280	(30,076)
Community Health Services	0	0	0
North Central EDA, Inc.	28,947	31,159	2,212
MN Center for Arts Education	7,500	0	(7,500)
MN Department of Transportation	38,907	59,727	20,820
Urban Mass Transit Administration	4,335	4,519	184
East Central RDC (7E) (DTED)	0	0	0
Central MN Initiative Fund	2,500	0	(2,500)
Region 5 I & A Grant (AAA)	7,081	14,306	7,225
Subtotal Program Revenues	502,083	532,570	30,487
Direct Granting Assistance			
Area Agency on Aging	847,038	847,038	0
Five Wings Arts	62,310	117,410	55,100
EDA Revolving Loan Fund	110,000	175,000	65,000
Subtotal Granting Assistance	1,019,348	1,139,448	120,100
TOTAL AGENCY REVENUES	1,521,431	1,672,018	150,587

Region 5 Development Commission
Estimated Fiscal Year 1998

06/02/97

Expenditure Comparison Current FY97R2 and Estimated FY98			
Expenditures	Approved Budget	Proposed Budget	Difference
Salaries	146,353	156,756	10,403
Leave Allocation @ 17.48%	25,252	26,055	803
Total Salaries & Leave	171,605	182,811	11,206
Fringe Benefits @ 25.90%	44,328	44,505	177
Subtotal Personnel	215,933	227,316	11,383
Compensatory Time	9,532	12,193	2,661
Commission Benefits	1,308	1,506	198
Consultants/Mentor/etc.	33,126	20,000	(13,126)
Staff Travel	19,118	20,505	1,387
Consultant Travel	3,595	650	(2,945)
Commission Travel	8,750	8,750	0
Commission Per Diem	13,250	18,900	5,650
Council Travel	5,197	5,600	403
Reproduction and Printing	6,575	10,845	4,270
Telephone	950	1,250	300
Rent	7,054	6,884	(170)
Staff Car Usage	1,070	900	(170)
Postage	1,200	1,250	50
Supplies	2,875	1,325	(1,550)
Insurance - Office	3,644	3,644	0
Equipment	11,900	14,000	2,100
Maintenance - Equipment	100	645	545
Books, Reports & Memberships	3,850	4,163	313
Workshops/Conferences	5,850	5,700	(150)
Miscellaneous Expense	5,054	5,265	211
Subtotal Direct Costs	359,931	371,291	11,360
In-Kind	7,800	5,900	(1,900)
Total Direct Costs	367,731	377,191	9,460
Indirect Costs @ 60.49%	141,687	139,434	(2,253)
TOTAL PROGRAM COSTS	509,418	516,625	7,207
Direct Granting Assistance			
Area Agency on Aging	847,038	847,038	0
Five Wings Arts Program	62,310	117,410	55,100
EDA Revolving Loan Fund	110,000	175,000	65,000
Subtotal Granting Assistance	1,019,348	1,139,448	120,100
TOTAL R5 AGENCY BUDGET	1,528,766	1,656,073	127,307
Excess Revenues Over (Under) Expenditures	(7,335)	15,945	23,280
Fund Balance Actual 7/1/96 & Proj. 7/1/97	168,886	161,551	(7,335)
Fund Balance Proj. 6/30/97 & Proj. 6/30/98	161,551	177,496	15,945

Beinhorn & Company, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED 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 as of and for the year ended June 30, 1996, and have issued our report thereon dated January 17, 1997.

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.

The management of Region 5 Development Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this 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 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 general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Region 5 Development Commission for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. 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 record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

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 persons 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 Region 5 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. However, we believe none of 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.

Beinhorn & Company, Ltd.

January 17, 1997