East Central Regional Development Commission

ANNUAL REPORT

July 1, 1990 - June 30, 1991



Serving the Counties of Chisago, Isanti, Kanabec, Mille Lacs, Pine

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COMMISSION MEMBERSHIP (As of June 30, 1991)

Chisago County Representatives

Tom Delaney
Dick Anderson
Gene Olson
Jon Alvin

County Commissioners Municipalities Townships Public Interest

Isanti County Representatives

Glenn Johnson Clell Bone Al Baxter Laurence Collin Clark Johnson County Commissioners
Municipalities
Townships
Public Interest
School Board (southern)

Kanabec County Representatives

Stan Cooper
Dick Johnson
Lucy Schultz
Dale Dunstan
Majal Johnson

County Commissioners
Municipalities
Townships
Public Interest
School Board (northern)

Mille Lacs County Representatives

Dick Jackson Steve VanHooser Art McMullen Carolyn Braun County Commissioners Municipalities Townships Public Interest

Pine County Representatives

Everette Koecher Linda Pfeifer Jim Tuttle Wayne White County Commissioners Municipalities Townships Public Interest

Officers

Laurence Collin, Chairman Dick Jackson, Vice Chairman Glenn Johnson, Secretary/Treasurer

STAFF (As of June 30, 1991)

<u>Administration</u>

Roger J. Ames, Executive Director Dorothy Jones, Finance Officer Mary Schwartz, Office Manager/Information Officer Dee Prax, Secretary/Receptionist

Human Services

Aging:

Herman Bakker, Program Manager

<u>Arts Division and Guardian ad Litem Program:</u> Bob Bollenbeck, Program Manager

<u>Child Care Resource & Referral Program:</u>
Danielle Perrier, Program Manager
Penni Cairns, Referral Consultant

Community Development

John Sullivan, Economic Development Planner Steve Bjork, Economic Development Planner Mark Vahlsing, Economic Development Planner Debra Funk, Transportation Planner

ADVISORY COMMITTEES (As of June 30, 1991)

Area Agency on Aging

Mary Andersen, Isanti County Belle Anderson, Pine County Bob Anderson, Chisago County Clifford Anderson, Chisago Co. Sarah Bentley, Isanti County Stan Cooper, Kanabec County Glenn Danelski, Pine County Gene Helfinstine, Mille Lacs Co. Dick Jackson, Mille Lacs County Ellsworth Johnson, Isanti County Marian Jorgenson, Mille Lacs Co. Rhonda Kolberg, Kanabec County Les Larson, Pine County Elaine Lucht, Isanti County Art McMullen, Mille Lacs County Roger Sellman, Chisago County Erv Skaar, Isanti County Sid Sonnichsen, Mille Lacs Co. Beth Steen, Mille Lacs County Pat Viskoe, Chisago County Fred Wahlstrom, Kanabec County

Child Care Resource/Referral

Jean Anderson, Isanti County
Bob Benes, Kanabec County
Mary Buchar, Pine County
Wendy DeGeest, Kanabec County
Pat Engel, Kanabec County
Becky Giese, Kanabec County
LuAnn Harris, Mille Lacs County
Suzanne Hulett, Mille Lacs County
Colleen LeBlanc, Isanti County
Annetta Leigh, Pine County
Linda Massey, Mille Lacs County
Mary Nelson, Kanabec County
Val Peterson, Isanti County
Mary Plaisance, Isanti County
Deb Wright, Isanti County

Guardian ad Litem Advis. Committee

Judge James Dehn, Isanti County
Kris Gross, Pine County
Sue Hughes, Pine County
Clark Johnson, Isanti County
Sue LaBore, Isanti County
Judy Lovering, Isanti County
June Nichols, Pine County
Doug Spindler, Pine County
Virginia Stark, Isanti County
Denise Steinberg, Isanti County
Dan Stromback, Kanabec County

East Central Arts Council

Herb Bloch, Chisago County
Beverly Ceaglske, Isanti County
Diane Handlos, Chisago County
James Larson, Pine County
Keith Lester, Kanabec County
Abby Marier, Mille Lacs County
Deborah Proctor, Chisago County
Lucy Schultz, Kanabec County
Jack Sharp, Pine County
Katherine J. Statz, Mille Lacs County
Suzi Tveit, Kanabec County

Personnel & Budget Subcommittee

Al Baxter, Mille Lacs County
Laurence Collin, Isanti County
Tom Delaney, Chisago County
Clark Johnson, Isanti County
Glenn Johnson, Chisago County
Majal Johnson, Kanabec County
Everette Koecher, Pine County
Art McMullen, Mille Lacs County

Regional Economic Develop. Adv. Comm.

Eileen Anderson, Pine County
Mel Aslakson, Chisago County
Tom Berg, Pine County
Donna Colberg, Chisago County
Laurence Collin, Isanti County
Gaynor Frye, Mille Lacs County
Carol Johnson, Isanti County
Dick Johnson, Kanabec County
Dave Oberfeld, Mille Lacs County
Dick Roesler, Kanabec County

Transportation Advisory Committee

Al Baxter, Mille Lacs County
Wayne Beesaw, Kanabec County
Ralph Bloomgren, Isanti County
Harold Eklund, Isanti County
Don Hubert, MN/DOT, Brainerd
Al Jacobson, Isanti County
Richard Larson, Mille Lacs County
Art McMullen, Mille Lacs County
Greg Nikodym, Kanabec County
Gregory Paulson, Pine County
Don Theisen, Chisago County

CHILDREN'S ADVOCACY SERVICES

The EC RDC continues to believe that there is great need for additional resources aimed at improving the quality of life of the region's children. Services supported by the EC RDC continued to focus on prevention of child abuse and child sexual abuse through the "Pride in Parenting" Child Abuse Prevention Program, and the regional Child Guardian ad Litem Program. During 1991 the Commission expanded services to children and families by assisting in implementing a regional child care resource and referral program.

Pride in Parenting Child Abuse Prevention Program

Approximately five years ago the EC RDC, in cooperation with a multitude of local agencies and organizations, developed and established a comprehensive program of prevention of child sexual The program was initially funded with a abuse through education. \$40,000 grant from the McKnight Foundation. Over the five years of operation of the Pride in Parenting Program more than \$200,000 has been contributed by private foundations, public agencies and private individuals to support child abuse prevention efforts. Added to the dollars are countless hours of time volunteered by people within the region who helped plan and deliver services. The program has been highly successful in helping hundreds of children understand child abuse, helping them to deal with the problem and in knowing how to obtain help. During 1991 the Pride in Parenting Program achieved a milestone in its prevention efforts. This year a number of area schools are planning to expand prevention curriculum in their school programs on an annual basis. This was a long-term goal of the Pride in Parenting Program.

Child Guardian ad Litem Program

The Child Guardian ad Litem Program (GAL) was established by the EC RDC as a result of a need identified through the Pride in Parenting Program and area judges. Since its inception two years ago, sixteen individuals have been recruited and trained to serve as lay-guardians ad litem appointed by the courts to represent the best interests of a child or children who become a party to judicial proceedings. To date more than 80 children have been provided GAL services through this program. During 1991 the EC RDC obtained additional funding from the Emma B. Howe Foundation to expand the program to recruit and train Native American GALs to serve the Native American community and to provide additional training to existing GALs.

Regional Child Care Resource and Referral Program

Through an initial grant from the MN Dept. of Human Services and the Central Minnesota Initiative Fund the EC RDC in 1991 established a Child Care Resource and Referral program (CCRR) to serve the five-county area. Through this program referral services are provided to persons in need of child care. Training and development opportunities are also made available to child care providers. An active CCRR advisory committee and program training committee were developed and supported.

EAST CENTRAL AREA AGENCY ON AGING PROGRAM

During Fiscal Year 1991 the East Central Regional Development Commission continued to provide services and resources to the region's elderly and agencies that provide services to this segment of the population. The EC RDC is designated as the Area Agency on Aging (AAA) for the five county area by the Minnesota Board on Aging. Responsibilities as an Area Agency on Aging include identifying needs of the elderly and developing an Area Plan for programs on aging which, when approved, provides funds which the EC RDC awards out in the form of grants to provide needed services. Other activities of the East Central AAA include carrying out an active legislative program of advocacy to make legislators and other officials aware of the needs of older persons in our area. An active Advisory Council on Aging is supported through the program which provides opportunities for older persons to become actively involved in decisions that impact their lives. Based on the recommendations of the Advisory Council on Aging, the EC RDC during FY'91 approved state and federal funds for the following programs:

		eral			Dag ! !	Total
Program	Admn. on Aging	USBA	State	Local	Project Income	Person Serve
Nutrition Ctrs.	OII AGIIIG	OGDA	beate	LOCAL	THOME	DET AE
Congregate Meals	\$197,715	\$67,601	\$69,940	\$ 36,091	\$181,784	4110
Nutrition Ctrs. Catholic Charities						
Home Deliv. Meals	\$ 94,252	\$21,399	\$ 7,450	\$ 16,633	\$ 52,780	389
Chisago Co. Home Delivered Meals	\$ 6,051	\$ 3,546	\$ 243	\$ 10,526	\$ 14,370	71
Rush City Home Delivered Meals	\$ 2,448	\$ 2,066	\$ 342	\$ 3,673	\$ 5,460	30
Legal Services	\$ 40,000			\$ 21,539	\$ 500	410
Mille Lacs Co. Outreach	\$ 4,000	<u>-111</u>		\$ 6,990	\$ 0	250
Pine City (Pine Co.) Transport.	\$ 2,600	. Yes <u>je</u> to	· · · · · · · · · · · · · · · · · · ·	\$ 3,900	\$ 500	75
St. Cloud (Pine, Kan. Isanti, Chisago Co's)	,				* L	
Reminiscence Prog.	\$ 3,078			\$ 769		550
Isanti Co. Senior Serv. Outreach	\$ 2,576	,		\$ 1,718		700
Lindstrom (Chisago Co) Sr. Information & Referral Outreach Program - Helpline	\$ 5,000		1	\$ 2,338		100
Onamia-Isle Infor- mation & Referral	\$ 3,290		,	\$ 3,000	\$ 0	200
Cambridge (Isanti Co) Fact Care/ Health Promotion	\$ 9,000			\$ 3,780	\$ 2,000	100
Chisago Co. Heart- land Express (Transportation)	\$ 8,500			\$ 10,985	\$ 520	50
St. Cloud (Milaca/ Pine) Project Care	\$ 4,619			\$ 1,581	\$ O	60

EAST CENTRAL ARTS COUNCIL PROGRAM

Continued support of the East Central Arts Council Program by the EC RDC furthered development of the arts and cultural activities within Region 7E during FY'91. The East Central Arts Council, made up of representatives of the arts community from each of the five counties in Region 7E, actively works to enrich the many arts and cultural resources of the five county area. During 1991 an extensive needs assessment, funded by the McKnight Foundation, was completed and additional funds provided to help implement and carry out recommendations of the study. Through this program grants approved by the EC RDC on recommendation of the regional arts council, make possible a variety of community arts activities. regional art exhibition featuring the work of more than 70 area artists was a highlight of the arts program during the year. regional arts quarterly newsletter, published and distributed by the Arts Council and EC RDC, serves as a valued vehicle through which local artists obtain information, share ideas and highlight artwork.

Grants awarded through the regional arts program during FY'91 include:

Sponsor Assistance:

Willow River Schools \$340 for a "Writer in the School" program featuring Nancy Paddock.

Isanti County Historical Society \$466 to sponsor a journaling workshop for children with Richard Solly.

Central MN ECSU \$1800 for "Landscape Traditions" residency project involving three schools.

Mora Schools \$1500 for a series exposing students to Native American arts and culture.

Cambridge CAPP \$550 to present the Mpls. Chamber Symphony in School District #911, including one community concert.

Finlayson CAPP \$565 for a short-term creative writing residency with artist Florence Dacey.

Hinckley Elementary \$600 for a theater residency with "West of the Moon" productions.

Adult Basic Education \$500 for a project involving "Heart of the Beast" theatre company.

Onamia Elementary School \$390 for a residency in mime involving Illuminaria Mime.

Production Assistance:

MN Rural Artists Association \$810 for a watercolor workshop with artist Joyce Gow.

North Branch Community Theatre \$1000 to produce the original historical musical "A Circus Gone Up."

East Central Grad Bank \$400 for music and supplies needed for several performances.

Isanti 4-H \$600 for the summer "arts-in" experience with children from two counties.

Finlayson Community Theatre \$500 to produce "Made to Order," a comedy.

Rum River Choral Directors \$700 to produce an original musical composition with L. Larson.

East Central Community Arts \$550 to produce the "Wizard of Oz" in Braham.

North Branch Theatre \$577 to produce two Brothers Grimm fairy tales.

McKnight Projects:

Princeton Drama Workshop \$3600 to purchase a sound system to be used jointly by the region's community theatres.

Mille Lacs Community Theatre \$1500 to purchase sturdy lighting trees for regional use.

Showcase:

Kanabec History Center \$200 for "Fall Fest" featuring local artists and craftpeople.

Isanti County Historical Society \$200 to showcase a local artist at Swedish Language and Culture Day Camp.

Regional Art Exhibition:

Image Art Exhibition \$1800, the first Image Show held in Chisago County (Lindstrom) featured works by 70 artists in the region.

COMMUNITY AND ECONOMIC DEVELOPMENT

Through a grant provided by the Federal Economic Development Administration the EC RDC expanded its economic development planning and assistance focus to include new initiatives as well as continued to provide technical assistance to local units of government and agencies. Activities carried out through the economic development program of the EC RDC during FY'91 include:

- * In September of 1990 the Economic Development Administration approved a revised and updated Overall Economic Development Program Plan (OEDP) which had been submitted by the EC RDC. Approval of the OEDP by the Economic Development Administration continues the region as a designated economic development district eligible to receive federal funds for community development projects and activities.
- * A regional economic development advisory council was established to provide direction to the Commission's economic development activities and assist in carrying out projects which benefit the region. Council membership includes representation of banking/finance, real estate, agriculture, education, business/manufacturing and elected officials.
- * In a joint effort by the EC RDC and Chisago County Housing and Redevelopment Authority (HRA) a special study of the Chisago County economy was completed and used by the HRA in establishing a county economic development program. The study was completed with assistance of the EDA funded University Center for Economics at St. Cloud State University. The study included a number of recommendations which were subsequently followed by the HRA in developing and economic development program for the county. Using this study as a model, the EC RDC worked with the economics department of St. Cloud State University in obtaining a stipend to support a student intern to complete extensive profiles of all counties in the region and the region as a whole. The data resulting from this project was used in completion of the 1991 update to the region's OEDP and was made available to units of government, agencies and others in the region for their use in economic planning activities.
- * Organized and sponsored, in cooperation with the Community Reinvestment Fund of Minneapolis, a regional investment seminar which focused on secondary markets for loan portfolios of community revolving loan funds operated by local units of government, community development corporations and others. The technical seminar covered areas included an overview of secondary markets, loan pricing, and in-depth training on loan structure and documentation. The seminar was attended by area bankers, accountants, representatives of community development corporations and others.

- * Conducted an annual meeting of the EC RDC which focused on economic issues and concerns of the region and rural Minnesota. As a result of this activity more than 100 residents of Region 7E, including elected officials, policy makers and citizens had the opportunity to hear Peter Gillette, newly appointed Commissioner of Trade and Economic Development for the State of Minnesota share his ideas and views of economic needs and trends of the state.
- * Initiated a feasibility study funded by the Economic Development Administration to research the need for and develop a preliminary plan to establish a regional revolving loan fund to assist in business start-ups and/or expansions as an effective tool for economic development in the region.
- * Developed and gained approval of an application to the Minnesota Rural Development Board requesting funds to implement a Rural Rehabilitation Pilot Project Program (RRPPP). Through this program the EC RDC has funds available for farm scholarships to assist area farmers and others in taking advantage of training opportunities which are available. Funds may also be approved to support projects which enhance the region's agricultural productivity.
- * Provided community planning and technical assistance to cities, counties and townships in areas of land-use planning, zoning, grantsmanship.
- * Provided technical assistance and information and referral services pertaining to new business start-ups and business expansions in Region 7E.

TRANSPORTATION PLANNING

During Fiscal Year 1991 the EC RDC continued its transportation planning program through a planning grant from the Minnesota Department of Transportation (MN/DOT). An active regional transportation advisory committee meets monthly to review transportation projects, identify transportation issues and needs of the area, develop a transportation planning work program for adoption by the EC RDC, and make recommendations to the EC RDC and MN/DOT as appropriate.

Primary activities carried out during the year included:

- * Completion of a handbook of standards for establishment of minimum maintenance roads which was distributed to local units of government.
- * Organized and conducted two gravel maintenance workshops.
- * Attended and provided information to the Search Area Advisory Task Force pertaining to a northern airport site.
- * Participated in the Minnesota Transportation Alliance/Northern Chapter to advocate transportation issues impacting rural Minnesota.
- * Provided technical assistance to nine townships in recording of roads.
- * Provided assistance in completion of the 16(b)(2) MN/DOT application for purchase of a new vehicle.
- * Participated in public hearings of the Transit Study Board's "Study of Minnesota's Surface Transportation Needs."
- * Participated in other meetings as appropriate.

TECHNICAL ASSISTANCE PROJECTS COMPLETED/UNDERWAY

FISCAL YEAR 1991

- * Developed one application to the Minnesota Department of Trade and Economic Development requesting funds for a community park (funded).
- * Developed an application to the Central Minnesota Initiative Fund to complete a plan for use of a vacant school building in the City of Ogilvie (funded).
- * Completed a grant request to the LSCA Title II Program requesting funds for a new library for the City of Hinckley (funded).
- * Completed an FDA loan application for a business in the City of Ogilvie (approved).
- * Managed revolving loan funds for the Cities of Ogilvie and Hinckley, made six loans.
- * Began an application to the Economic Development Administration requesting funds to expand the wastewater treatment facility of the City of Hinckley.
- * Completed road recording projects for Brunswick, Dalbo, Pokegama, Kanabec, Haybrook, Maple Ridge, Sandstone, Kroschel, and Bogus Brook Townships.
- * Provided land use planning assistance to the County of Mille Lacs, and the Townships of Kanabec and Royalton.
- * Assisted the Central MN Water Quality project in carrying out two workshops focusing on interpreting water quality data.
- * Completed an application to the Emma Howe Foundation requesting funds to continue/expand the regional child Guardian Ad Litem program a second year (funded).
- * Completed an area needs assessment and developed an area plan for programs on aging approved by the MN Board on Aging.
- * Completed a FY'92 Biennial Plan for the Arts.
- * Conducted an extensive arts needs assessment funded by the McKnight Foundation which resulted in three years additional funding for the arts by the McKnight Foundation.
- * Developed an application to the Children's Trust Fund requesting funds to support activities of the "Pride in Parenting" child abuse prevention program (funded).
- * Developed an application to United Way, requesting funds to support activities of the "Pride in Parenting" child abuse prevention program (funded)
- * Developed applications to the MN Dept. of Human Services and Central MN Initiative Fund to support establishment of a regional Child Care Resource and Referral Program (funded).

OTHER SERVICES - FISCAL YEAR 1991

EC RDC Census Information and Data Center

The ability of the EC RDC to provide needed data which is available from the 1990 Census and other sources was expanded during 1991. Staff support to the Data Center was provided enabling local units of government, agencies and individuals to obtain census and other information/statistical data which is available, as well as assistance in interpretation of the data.

During 1991 the Data Center responded to approximately 140 requests for data. It is estimated that 75% of these requests were from local units of government, with another 15% from private business, 5% from individuals, and 5% being referrals from the Minnesota Census Data Center. Requests dealt with data on population, employment, income, housing, economics, etc. Approximately 25% of the requests were seeking data from the 1980 Census, while 40% from the 1990 Census, and 35% were for economic data.

Legislative Advocacy

In February of 1991 the EC RDC organized and hosted a region-wide legislative roundtable to allow local citizens and representatives of local government the opportunity to hear legislators views on various matters before the legislature. The roundtable provided an opportunity for dialogue between legislators and local citizens on impacts of activities of state government on local governments and services. Legislative activities carried out during 1991 also included meetings of Commission members with legislators at the Capitol as issues of concern to the EC RDC, local units of government, and others were debated and acted upon.

Statement of Revenues and Expenditures Year Ending June 30, 1991

		FY 1991 BUDGET		FY 1991 ACTUAL Unaudited)	_	FY 1992 ADOPTED BUDGET
REVENUES:						
Taxes	s	107,259	\$	108,260	\$	117,365
MN Board on Aging	~	615,474		608,924	•	642,841
(includes pass-through funds)		020, 1		,		0.2,0.2
EDA		50,314		52,328		50,000
Human Service Department		66,718		68,840		12,646
State Arts Board		49,704		48,730		53,225
(includes pass-through funds)						
State Transportation		27,000		27,000		27,000
State Appropriation		41,288		41,288		0
Contracts for Services		92,447		92,622		25,481
Interest/Other		9,443		9,164		8,467
Private Foundations		39,507		38,692		25,000
(includes pass-through funds)		20 502		16 201		2 500
Local Organizations		20,502		16,281		2,500
Registrations		8,136		9,500		0
(includes pass-through funds) Children's Trust Fund		3,907		3,627		0
MN Pollution Control (pass-through)		3,907		18,500		U
FY'90 Fund Balance		0		4,190		0
TOTAL REVENUES	\$ 1	1,131,699	5	1,147,946	s	964,525
TOTAL REVENUES	4.	1,131,077	*	.1,147,740		704,323
EXPENDITURES:						
Personnel	\$	262,960	\$	265,798	\$	173,655
Fringe		65,527		65,571		44,200
Telephone		12,000		12,867		7,000
Postage		9,000		8,496		6,000
Legal Notices		275		175		0
Printing/Publications		11,138		9,288		7,200
Copying		5,500		4,644		5,000
Audit		6,000		6,303	5- -	7,000
Vehicle Expense		2,200		2,128		2,200
Insurance/Bonds		5,550		3,895		4,800
Office Supplies Maintenance of Equipment		7,000 900	2	6,207 256		5,000 300
Staff Travel		22,801		20,536		12,012
Registration/Conference Fees		5,374		4,417		3,160
Miscellaneous		2,124	*.	2,007		0
Rent		21,777	. ,	21,777		19,377
Service/Tech. Consultants		18,834		14,100		20,700
Advisory Committee		5,604		5,246		4,800
Commissioner's Expense		17,000		11,310		12,500
Employee Recruitment		829		829		100
Membership/Subscriptions		6,723		5,768	1 .	4,905
Honoraria				1,000		
Workshops/Seminars				2,322		
Aging Annual/Day-on-the-Hill		1,968		2,326		600
Purchase Equipment/Car		10,826		11,900		2,066
Lease of Equipment		5,071		5,071		5,072
Aging Task Force		582		156		600
PIP-Special Project		6,307		5,742		0
GAL-Training		4,181		2,968		3,064
Child Care-Marketing		1,500		1,492		500
Child Care-Lending Library		610 115		2,005		610 514
Pass-Through Grants		612,148		624,739		612,714
Budget Reserve	c	1,131,699		16,607		964,525
TOTAL EXPENDITURES	Þ	1,131,033		\$1,147,946	•	, ,04,343

MANAGEMENT AND COMPLIANCE SECTION



STATE OF MINNESOTA

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

296-2551

INDEPENDENT AUDITOR'S OPINION

Board of Directors
East Central Regional Development
Commission

We have audited the accompanying general purpose financial statements of the East Central Regional Development Commission as of June 30, 1990, and for the year then ended, as listed in the table of contents. These 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.

We conducted our audit in accordance with generally accepted auditing standards. 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Central Regional Development Commission as of June 30, 1990, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

MARK B. DAYTON State Auditor

October 24, 1990



STATE OF MINNESOTA

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

296-2551

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

Board of Directors
East Central Regional Development
Commission

We have audited the general purpose financial statements of the East Central Regional Development Commission, Mora, Minnesota, as of and for the year ended June 30, 1990, and have issued our opinion thereon dated October 24, 1990. This report resulting from part of that audit is divided into sections including our report on internal control structure and compliance.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, as promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. § 6.65. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

INTERNAL CONTROL STRUCTURE

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

The management of the Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, management must make estimates and judgments that assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

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

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

Cash receipts
Cash disbursements
Payroll
Indirect cost allocation

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

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

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 audit included all of the listed categories. The results of our tests indicate that for the items tested, the East Central Regional Development Commission complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit, nothing came to our attention to indicate that the Commission had not complied with such legal provisions.

Compliance with laws, regulations, contracts, and grants applicable to the East Central Regional 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 indicate that for the items tested, the East Central Regional Development 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 East Central Regional Development Commission had not complied, in all material respects, with those provisions.

* * * * *

This report is intended for the information of management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

We would like to express our appreciation to the Board and the staff for their

cooperation and assistance during the audit.

MARK B. DAYTON State Auditor

October 24, 1990

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

Board of Directors
East Central Regional Development
Commission

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

INTERNAL CONTROL--NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have audited the general purpose financial statements of the East Central Regional Development Commission, Mora, Minnesota, for the year ended June 30, 1990, and have issued our report thereon dated October 24, 1990. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act of 1984; and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

Cash receipts Cash disbursements
Payroll
Indirect cost allocation

Controls Used in Administering Federal Programs General Requirements Specific Requirements

Political activity
Civil rights
Cash management
Federal financial reports

Types of services
Matching level of effort
Reporting
When funds can be obligated
Monitoring subrecipients

The management of the East Central Regional Development Commission is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, management must make estimates and judgments that assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance, with respect to federal financial assistance programs, that:

- resource use is consistent with laws, regulations, and policies,
- resources are safequarded against waste, loss, and misuse, and
- reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended June 30, 1990, the East Central Regional Development Commission had no major federal financial assistance programs and expended 99.18 percent of its federal financial assistance under the following nonmajor federal financial assistance programs:

USDA Nutrition	CFDA No.	10.550
Economic Development (EDA)	CFDA No.	11.301
Title III-A and III-B	CFDA No.	13.633
Title III-C	CFDA No.	13.635

With respect to internal control systems used in administering these nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used in administering the other nonmajor federal financial assistance program of the East Central Regional Development Commission, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used in administering the other

nonmajor federal financial assistance program of the Commission did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the East Central Regional Development Commission. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the commission.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems for which our study and evaluation was limited to a preliminary review of the systems.

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

REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS FOR NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed 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 East Central Regional Development 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 East Central Regional Development Commission had not complied, in all material respects, with those requirements.

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This report is intended solely for the use of the Commission, 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 would like to express our appreciation to the Board and the staff for their cooperation and assistance during the audit.

MARK B. DAYTON State Auditor