

REGION 5 DEVELOPMENT COMMISSION

ANNUAL REPORT

JULY 1, 1997 - JUNE 30, 1998

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

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Chairperson's Report

July 1, 1998

The Region 5 Development Commission was able to overcome many challenges throughout FY 1998: staff turnover and illness had an impact on timely project completions, but other staff were willing to step up and maintain the flow of work. Our sincere gratitude to the excellent staff at Region 5!

The programs and services offered to local units of government have steadily improved, as evidenced by the Region 5 Business Loan Fund, the Five Wings Arts program, the Region 5 Area Agency on Aging, the Region 5 Health Care Task Force and the increasing scope of the Region 5 Transportation program. Another area of increased activity has been in Region 5's involvement in Comprehensive Planning. All-in-all, it has been a challenging and yet productive year, and I am pleased to report that the Region 5 Development Commission is steadily moving forward in our goal of providing needed services to our constituents.

Sincerely,

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

Robert Erdrich, Chairperson
Region 5 Development Commission

COMMISSION MEMBERSHIP
(As of June 30, 1998)

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
Sharon Thurlow, 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, Staples
Glennnda Kotula, Staples
Alan Perish, Browerville

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, 1998)

Bob Erdrich, Chairperson
Stan Sumey, Vice-Chairperson
Paul Theide, Secretary
Ted Winkels, Treasurer
Paul Nieman, Jr., Director
Jim Demgen, Director
Ralph Lorentz, Director

STAFF
(As of June 30, 1998)

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
Betty Ann Gumm, Community Development Planner

ADVISORY COUNCILS/TASK FORCES
(As of June 30, 1998)

<u>ECONOMIC DEVELOPMENT TASK FORCE</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
Jim Demgen, East Gull Lake	Advisor	Region 5 DC

<u>HEALTH CARE TASK FORCE</u>	<u>REPRESENTING</u>	<u>COUNTY</u>
Mary Koep, Brainerd	Consumer Rep.	Crow Wing
Caren Winkels, Sebeka	Consumer Rep.	Wadena
Mel Euteneuer, Little Falls	Consumer Rep.	Morrison
Don Thiel, Staples	Consumer Rep.	Todd
Donna Good, Pequot Lakes	R5DC/Chairperson	Region 5
Vacant	Consumer Rep.	Cass

<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
Nelda Nygard, Walker	Seniors	Cass County
Wayne Abell, Breezy Point	Seniors	Crow Wing County
Carolyn Frisch, Brainerd	Seniors	Crow Wing County
Betty Czech, 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
Doris Jennison, Long Prairie	Public Health	Region 5
Mary May, Long Prairie	Public Health-Alternate	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 Leverson, Wadena	Visual Arts	Wadena County

TRANSPORTATION COUNCIL

Paul Nieman Jr. , Little Falls
Dave Enblom, Walker
Duane Blanck, Brainerd
Jeff Hulsether, Brainerd
Steve Backowski, Little Falls
Jerry Lochner, Little Falls
Duane Lorsung, Long Prairie
Russell Larson, Wadena
Steve Voss, Brainerd
Vacant
Howard Warnberg, Little Falls
Gene Young, Little Falls
Jan Roers, Wadena
Paul Thiede, Ex Officio, Pequot Lakes

REPRESENTING

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

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
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 1998.

TABLE 1 - SERVICES PROJECTED FOR 1998

	<u>Number of Units</u>		<u>Number of Unduplicated Participants</u>
Congregate Meals	184,000	meals	1,355
Home Delivered Meals	<u>121,000</u>	meals	<u>443</u>
	305,000		1,798
Advocacyt	960	hours	900
Homemaking	10,629	hours	172
Transportation	2,160	one-way trips	90
Information & Assistance	598	contacts	398
Education/training	<u>2,000</u>	contacts	<u>2000</u>
TOTAL	16,341		3560
Legal Assistance/Ed	1,414	hours	238
Frail Elderly	990	contacts	7
Health Promotion	761	hours/sessions	1653

The activities of the Region 5 Area Agency on Aging are guided by a fifteen member 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 contract 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 contract 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 1998

SERVICE	FEDERAL FUNDS	STATE FUNDS	COUNTY FUNDS/ IN-KIND	PRIVATE FUNDS/ IN-KIND
Congregate Meals	243,904	100,811	0	348,230
Home Delivered Meals	<u>238,535</u>	<u>31,608</u>	<u>0</u>	<u>225,211</u>
Sub-Total	482,439	132,419	0	573,441
Homemaking	82,815		82,815	24,116
Transportation	2,000		2,000	335
Information & Assistance	31,375		29,825	1,500
Education/Training	5,000		5,000	
Senior Center Renovation	7,200			2,422
Legal Cases/Ed	<u>24,000</u>			<u>24,250</u>
Sub-Total	152,390		119,690	52,623
Frail Elderly	5,667			5,667
Health Promotion	<u>13,810</u>	<u> </u>	<u>13,810</u>	<u> </u>
TOTAL	654,306	132,419	133,500	631,731

Several important projects and activities were either initiated or completed throughout the year. The 16h Annual Conference entitled "Add Days To Your Life and Life To Yours Days" was held with approximately 200 persons in attendance.

Workshops topics included: Questions your Children Should Be Asking You; Recreation for all ages; Social Security... The Future; The wonderful world of Soy; and Vegetable Gardens for Seniors. Entertainment was provided by the Crow Wing County Cloggers.

The AAA disseminated volumes of information on services, insurance, Medicare, Social Security, the Senior Linkage Line, etc. There were nearly 276 contacts on the Senior Linkage Line in 1997.

In 1997, the AAA contracted for Title III B, D, & F and 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 \$104,507 in grant monies in FY98. This amount includes \$10,900 of McKnight Foundation funds for semi-professional arts organizations and \$2,400 for individual artist grants. Five Wings awarded \$91,207 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>
Bertha Hewitt HS	Todd	2,200
Brainerd Youth Orchestra	Crow Wing	3,090
Bug O Nay Ge Shig School	Cass	2,000
Central Lakes College Theatre	Crow Wing	1,300
Crosby Community Ed.	Crow Wing	950
Freshwater Ed. District	Todd	3,000
Great River Arts Association	Morrison	1,240
Great River Arts Association	Morrison	875
Heartland Symphony	Crow Wing/Morrison	1,264
Hole in the Day Players	Morrison	1,500
Lamplighter Community Theatre	Todd	2,606
Long Prairie Elementary	Todd	2,000
Northwoods Arts Council	Cass	1,400
Pine River-Backus Schools	Cass	1,862
St. Francis Music Center	Morrison	1,050
Sebeka Elementary	Wadena	1,383
Sebeka Fine Arts	Wadena	3,445
Upsala Community Ed.	Morrison	1,322
Wadena Area Concert Band	Wadena	900
Wah De Nah Project	Wadena	1,000
Brainerd Area Youth orchestra	Crow Wing	3,200
Brainerd Art Club	Crow Wing	1,000
Brainerd Community Ed.	Crow Wing	2,067
Brainerd HS	Crow Wing	1,520
Bug O Nay Ge Shig	Cass	2,700
Centennial Auditorium	Todd	2,000
Centennial Big Band	Todd	3,500
Central Lakes College Theatre	Crow Wing	2,189
Freshwater Ed. District	Todd	2,026
Great River Arts Association	Morrison	3,350
Great River Arts Association	Morrison	3,500
Great River Arts Association	Morrison	1,030
Heartland Symphony	Crow Wing/Morrison	3,000
Hole in the Day Players	Morrison	2,360
Lindbergh Fresco Project	Morrison	3,500
LP/GE Community Ed.	Todd	560

LP/GE Elementary	Todd	950
LP/GE HS	Todd	800
Madhatters	Wadena	3,500
Menahga Elementary	Wadena	1,490
Pierz Community Ed.	Morrison	1,870
Prairie Arts Council	Todd	735
St. Francis Music Center	Morrison	1,080
Sebeka Fine Arts	Wadena	2,195
Staples Area Mens Chorus	Todd	650
Upsala Community Ed.	Morrison	1,483
Wadena Area Arts Council	Wadena	1,605
Wadena Area Arts Council	Wadena	2,410
Wadena Deer Creek Fine Arts	Wadena	550
Total MSAB Funds		\$91,207

**TABLE 2
MCKNIGHT FOUNDATION FUNDS**

<u>AGENCY</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
Camphill Village MN	Todd	2,064
Heartland Symphony	Crow Wing/Morrison	1,136
Hole in the Day Players	Morrison	742
St. Francis Music Center	Morrison	670
Pine River-Backus Boosters	Cass	3,500
Wadena Area Arts Council	Wadena	2,788
Total Mcknight Organizational Funds		\$ 10,900

MCKNIGHT INDIVIDUAL ARTIST AWARDS

<u>ARTIST</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
Heidi Dunn	Todd	500
Eileen Kulseth	Crow Wing	400
Tim Kulseth	Crow Wing	500
Catherine Tetrault	Morrison	500
Warren Woddworth	Morrison	500
Total Mcknight Individual Artist Funds		\$ 2,400

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 FY98 and will finish their study in November, 1998:

<u>Student</u>	<u>County</u>	<u>Student</u>	<u>County</u>
Andrion Becker	Todd	Chris Lauer	Crow Wing
Bryan Blessing	Todd	Julia Majerus	Morrison
Shane Cole	Morrison	Amy Metcalf	Cass
Noelle Gray	Morrison	Stacy Wisch	Todd

Rolling Plains Art Gallery The Five Wings Arts Program is collaborating with Regions 1, 2, 4 and the Plains Art Museum in FY98, 99, and 00 to facilitate a traveling art gallery housed within a semi-trailer. The Rolling Plains Art Gallery will be staying a week in each of approximately 12 communities in Region 5.

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 Sibley, Lake Edward Townships, Eagle Bend, and Wadena County are in progress. Community surveys were completed on behalf of Sibley and Sylvan Township.

Region 5 completed 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 eighteen (18) loans totaling \$478,650 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 Annual Update on the Overall Economic Development Plan (OEDP) has been completed for the September 30, deadline.

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

Staff is exploring options to recapitalize the Revolving Loan Fund.

Staff assisted with applications 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 to be combined with the development of a Scenic Byways Study. Potential 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 CY97 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 and Cass Counties are 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 provides to businesses, local units of government, organizations and

individuals as part of Region 5's responsibilities as a Census Data Affiliate. Region 5 provides information through DATANET, internet & text materials as an ongoing activity.

Region 5 provides 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 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.

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 Transportation Management. Township Level 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 monitored to determine applicability to Region 5 local government.

Region 5 Development Commission Estimated Fiscal Year 1999 Budget			
			06/04/98
Revenue Comparison Current FY98R1 and Estimated FY99			
Revenues	Approved Budget	Proposed Budget	Difference
Technical Assistance	8,500	6,500	(2,000)
Local Levy	170,000	170,000	0
Interest & Miscellaneous Income	13,200	10,500	(2,700)
In-Kind	2,900	1,400	(1,500)
EDA Planning	52,000	52,000	0
MN State Arts Board	56,613	57,078	465
McKnight Foundation	2,400	2,400	0
MN Board on Aging Administration	87,976	90,530	2,554
RECD (Formerly FMHA)	17,280	0	(17,280)
Community Health Services	0	0	0
North Central EDA, Inc.	32,130	37,918	5,788
MN Center for Arts Education	0	0	0
MN Department of Transportation	56,665	59,727	3,062
Urban Mass Transit Administration	3,734	3,828	94
East Central RDC (7E) (DTED)	0	0	0
Central MN Initiative Fund	2,500	0	(2,500)
Region 5 I & A Grant (AAA)	15,056	12,168	(2,888)
Subtotal Program Revenues	520,954	504,049	(16,905)
Direct Granting Assistance			
Area Agency on Aging	1,153,538	1,153,538	0
Five Wings Arts	115,294	114,830	(464)
EDA Revolving Loan Fund	167,000	0	(167,000)
Subtotal Granting Assistance	1,435,832	1,268,368	(167,464)
TOTAL AGENCY REVENUES	1,956,786	1,772,417	(184,369)

Region 5 Development Commission Estimated Fiscal Year 1999			
			06/04/98
Expenditure Comparison Current FY98R1 and Estimated FY99			
Expenditures	Approved Budget	Proposed Budget	Difference
Salaries	176,687	182,969	6,282
Fringe Benefits @ 27.4789%	44,438	50,279	5,841
Subtotal Personnel	221,125	233,248	12,123
Compensatory Time	11,193	11,193	0
Commission Benefits	1,506	1,506	0
Consultants/Mentor/etc.	23,500	5,000	(18,500)
Staff Travel	20,505	21,364	859
Consultant Travel	650	450	(200)
Commission Travel	8,750	8,750	0
Commission Per Diem	18,900	18,900	0
Council Travel	5,553	5,513	(40)
Reproduction and Printing	10,845	7,745	(3,100)
Telephone	1,250	1,250	0
Rent	5,877	5,878	1
Staff Car Usage	900	900	0
Postage	1,250	1,250	0
Supplies	4,325	1,325	(3,000)
Insurance - Office	3,644	3,644	0
Equipment	14,000	10,500	(3,500)
Maintenance - Equipment	645	645	0
Books, Reports & Memberships	7,463	4,163	(3,300)
Workshops/Conferences	2,950	5,700	2,750
Miscellaneous Expense	4,005	5,265	1,260
Subtotal Direct Costs	368,836	354,189	(14,647)
In-Kind	2,900	1,400	(1,500)
Total Direct Costs	371,736	355,589	(16,147)
Indirect Costs @ 62.3285%	145,859	145,381	(478)
TOTAL PROGRAM COSTS	517,595	500,970	(16,625)
Direct Granting Assistance			
Area Agency on Aging	1,153,538	1,153,538	0
Five Wings Arts Program	115,294	114,830	(464)
EDA Revolving Loan Fund	167,000	0	(167,000)
Subtotal Granting Assistance	1,435,832	1,268,368	(167,464)
TOTAL R5 AGENCY BUDGET	1,953,427	1,769,338	(184,089)
Excess Revenues Over (Under) Expenditures	3,359	3,079	(280)
Fund Balance Actual 7/1/97 & Proj. 7/1/98	181,540	184,899	3,359
Fund Balance Proj. 6/30/98 & Proj. 6/30/99	184,899	187,978	3,079

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, Staples, MN 56479 as of and for the year ended June 30, 1997, and have issued our report thereon dated May 8, 1998. We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Region 5 Development Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Minnesota Legal Compliance

The Minnesota Legal Compliance Audit Guide for Local Government covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories. The results of our tests indicate that for the items tested, Region 5 Development Commission complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and procedures referred to above nothing came to our attention to indicate that the Commission had not complied with such legal provisions.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Region 5 Development Commission's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Region 5 Development Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 97-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the Board of Directors, Commission, federal awarding agencies, pass-through entities and the State of Minnesota. However, this report is a matter of public record and its distribution is not limited.

Beinhorn & Company, Ltd.

May 8, 1998