

REGION 5 DEVELOPMENT COMMISSION

Annual Report

JULY 1, 1999 - JUNE 30, 2000

Region 5 Development Commission
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Staples, Minnesota 56479
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Chairperson's Report

July 1, 2000

Fiscal year 2000 was indeed a very productive and challenging year for the Region 5 Development Commission. We have accomplished much, but at the same time, continue to work on projects, which will be completed in the coming year or are continuous. We completed our Strategic Plan in fiscal year 2000. We continue to focus on five main program areas: Economic Development, Community Development, Transportation, Arts, and the Area Agency on Aging. We also have established diversity, marketing, and technology task forces to address other objectives in the plan.

Our sincere gratitude goes out to Lori Verlennich, who left our organization in April, and we welcome Tammy Estrem, our new Office Manager, who began her new assignment on June 1, 2000.

I believe we are progressing well, constantly searching for new ways to accomplish our mission to assist the local communities with development, quality of rural life issues, and protection and use of our natural and human resources. I wish to compliment our Executive Director and the professional staff on the job they are doing. Their cooperation, support of one another, and their commitment is reflected by the quality and quantity of essential services which are provided by the Commission.

I am pleased to report that the Region 5 Development Commission continues to provide exceptional service, and that we are moving forward to assist our communities to plan and develop our region.

Sincerely,



Stan Sumey, Chairman
Region 5 Development Commission

COMMISSION MEMBERSHIP
(As of June 30, 2000)

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

Jim Hill, Brainerd
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
Glenda Kotula, Staples
Alan Perish, Browerville

Board of Commissioners
Municipalities
Town Boards

WADENA COUNTY REPRESENTATIVES

Ralph Lorentz, Wadena
Wayne Wolden, Wadena
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
Cheryl Lee, Cass Lake

Little Falls Area COG
Leech Lake Tribal Council

REGION 5 SCHOOL BOARDS

William Higgs, Wadena
Gene Squires, Pillager

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Ted Winkels, Verndale

Soil & Water Conservation
District

BOARD OF DIRECTORS

(As of June 30, 2000)

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

STAFF

(As of June 30, 2000)

ADMINISTRATION

Robert Hutton, Executive Director
Nancy Stevens, Controller/Executive Assistant
Tammy Estrem, Office Manager

AREA AGENCY ON AGING

Barbara Card, Director
Sharon Notch, Senior Programs Specialist

ARTS

Mark Turner, Five Wings Arts Coordinator

COMMUNITY DEVELOPMENT

Jason Murray, Economic Development Director
Roger Germann, Transportation Director
Betty Ann Gumm, Community Development Director

ADVISORY COUNCILS/TASK FORCES

(As of June 30, 2000)

ECONOMIC DEVELOPMENT TASK FORCE

William Higgs, Wadena

REPRESENTING

Advisor

COUNTY

Region 5 DC

HEALTH CARE TASK FORCE

Mary Koep, Brainerd

Caren Winkels, Sebeka

Joni Batters, Little Falls

Don Thiel, Staples

Donna Good, Pequot Lakes

Annette Koch

REPRESENTING

Consumer Rep.

Consumer Rep.

Consumer Rep.

Consumer Rep.

R5DC/Chairperson

Consumer Rep.

COUNTY

Crow Wing

Wadena

Morrison

Todd

Region 5

Cass

COUNCIL ON AGING

Sharon Thurlow, Pequot Lakes

Vacant

Nelda Nygard, Walker

Wayne Abell, Breezy Point
County

Barbara Rohde, Brainerd
County

Betty Czech, Royalton
County

Marvin Swecker, Motley
County

Martha Rach, Staples

Dorothy Berscheit, Grey Eagle

Rachel Schluttner, Verndale
County

Dean Lalone, Sebeka
County

Doris Jennissen, Long Prairie

Mary May, Long Prairie

Frank Schaap, Walker

REPRESENTING

Chairperson

Seniors

Seniors

Seniors

Seniors

Seniors

Seniors

Seniors

Seniors

Seniors

Seniors

Public Health

Public Health-Alternate

Social Services

COUNTY

Region 5 DC

Cass County

Cass County

Crow Wing

Crow Wing

Morrison

Morrison

Todd County

Todd County

Wadena

Wadena

Region 5

Region 5

Region 5

FIVE WINGS ARTS COUNCIL

William Kern, Wadena

Oliver DeGray, Hackensack

Sara Hanlon, Brainerd

Christine Nick, Pequot Lakes
County

Patrick Spradlin, Brainerd
County

Janice Bradshaw, Brainerd
County

Donna Jarvis, Cushing
County

DeAnna Gehant, Little Falls
County

REPRESENTING

Chairperson

Performing Arts

Visual Arts

Music

Theatre

Music/Literary

Visual Arts

Visual Arts

COUNTY

Region 5 DC

Cass County

Cass County

Crow Wing

Crow Wing

Crow Wing

Morrison

Morrison

Donn Harris, Eagle Bend
 David Bengtson, Long Prairie
 Vickie Paurus, Sebeka
 County
 Gail Leverson, Wadena
 County

Music
 Literary Arts
 Music/Drama

 Visual Arts

Todd County
 Todd County
 Wadena

 Wadena

TRANSPORTATION COUNCIL

Jim Wielinski, 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
 Bob Erdrich, Ex Officio, Little Falls
 Trevor Walter, Baxter

REPRESENTING

Chairman
 Co. Hwy. Engineer, ATP Rep.
 Co. Hwy. Engineer
 Brainerd Engineer
 Co. Hwy. Engineer
 City Services Mgr.
 Co. Hwy. Engineer
 Co. Highway Engineer
 District 3
 Airports
 Railroads
 Townships
 Transit
 ATP Rep.
 City Engineer

COUNTY

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

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 seniors, 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 Bi-monthly 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.

The Region 5 Area Agency on Aging (AAA) serves as an advocate, service developer and facilitator, educator, and information and funding source.

The Region 5 AAA provides information and assistance to older persons and their families through the Senior Linkage line: 1-800-333-2433, technical assistance to agencies and units of government in the development of services for older persons, coordination of aging services, and demographics and needs data.

To guide its activities, the Region 5 Area Agency on Aging has prepared an Area Plan for 2000-2002. Based on the priorities established in this Plan, *Table 1* shows the services, which are projected for 2000.

TABLE 1
SERVICES PROJECTED FOR 2000

	<u>Number of Units</u>
Congregate Meals	180,000 meals
Home Delivered Meals	<u>175,000</u> meals
	355,000
Health Assessment Screening	1,470 hours
Information & Assistance	5,082 hours
Homemaking	1,032 hours
Transportation	9,475 one-way trips
Legal Assistance/Ed	1,477 hours
Frail Elderly (Home Modification)	93 hours
Health Promotion	819 hours/sessions
Leading Poplar Community Center	N/A
Medication Management	72 hours

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 contract/grant awards. The total project costs for the contract/grants awarded by the Region 5 Development Commission annually amount to approximately \$1.9 million. *Table 2* identifies the type of funds used to finance a wide array of services:

TABLE 2
FUNDS DISTRIBUTED IN 2000

SERVICE	Federal Funds	USDA	State Funds	County Funds/ In-Kind	Private Funds/ In-Kind
Congregate Meals	180,539	95,150	100,811	0	357,359
HDM	187,557	96,085	31,608	159,250	222,098
Sub Total	368,096	191,235	132,419	159,250	579,457
Homemaker	7,577			7,577	
Transportation	20,000		78,472	20,704	6,550
I & A	53,655			44,322	1,500
Senior Center Renov.	11,799				3,933
Legal Cases/Ed	29,984				30,236
Health Assessment	28,460			27,683	3,782
Sub Total	151,475		78,472	100,286	46,001
Frail Elderly	8,600				8,600
Health Promotion	15,045			15,045	
Medication Mgmt.	3,403			3,403	
Sub Total	27,048			18,448	8,600
GRAND TOTAL	546,619	191,235	210,891	277,984	634,058

An annual Conference on Aging is sponsored by the Region 5 AAA to provide up-to-date information on aging issues as well as networking opportunities. Other trainings are provided by the AAA to update seniors and service providers on current issues and development.

Throughout CY 1999 the Senior Program Specialist assisted approximately 400 individuals who were looking for services or assistance to help a senior remain independent. The highest topic areas were prescription drugs, health insurance, transportation, nutrition, legal issues, housing, chore, respite, adult day care, caregiver support, home care, etc.

Quarterly, the Region 5 AAA draws together senior advocates, RSVP directors, Senior Center Directors, Presidents of County Councils, service providers, MN Senior Federation, Green Thumb, Foster Grandparents, Senior Companions, etc. The purpose of these meetings is to share information, coordinate our activities, and form another necessary link between the AAA and the individual counties.

CULTURAL ACTIVITIES

Region 5's Five Wings Arts Program awarded \$129,650 in grant monies in FY 99. This amount includes \$13,727 of McKnight Foundation funds for semi-professional arts organizations and \$2,343 for individual artist grants. Five Wings awarded \$110,080 of Minnesota State Arts Board grant funds for sponsorship activities and/or art development in Region 5 and a total of \$3,500 for the Rolling Plains Art Gallery project (7 sites). The organizations, which received funds, are listed in *Tables 1* through 4.

**TABLE 1
MINNESOTA STATE ARTS BOARD FUNDS**

<u>AGENCY</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
Bertha-Hewitt HS	Todd	3,180
Brainerd Youth Orchestra	Crow Wing	3,200
Brainerd Youth Orchestra	Crow Wing	3,200
Browerville Days	Todd	200
Centennial Auditorium	Todd	1,600
Centennial Big Band	Todd	2,250
Centennial Big Band	Todd	3,500
CLC Theatre	Crow Wing	2,800
CLC Theatre	Crow Wing	2,597
Crosby Community Ed.	Crow Wing	2,829
Freshwater Ed District	Regional	3,500
Freshwater Ed. District	Regional	3,405
GRAA	Morrison	1,164
GRAA	Morrison	1,500
GRAA	Morrison	1,460
GRAA	Morrison	1,550
GRAA	Morrison	750
Heartland Symphony	Morrison/Crow Wing	3,300
Heartland Symphony	Morrison/Crow Wing	3,200
Hole in the Day Players	Morrison	3,500
Hole in the Day Players	Morrison	2,000
Hole in the Day Players	Morrison	2,600
Lamplighter Community Theatre	Todd	2,985
Lindbergh Fresco Project	Morrison	3,500
Little Falls Community Schools	Morrison	500
LP/GE Community Ed.	Todd	3,095
LP/GE HS	Todd	1,150
LP/GE HS	Todd	675
LP/GE HS	Todd	600
LP/GE HS	Todd	590
LP/GE Summer Recreation	Todd	900
Madhatters	Wadena	3,185
Menahga Community Ed.	Wadena	2,150
Mississippi Horizons Middle School	Crow Wing	3,500
Nisswa Elementary	Crow Wing	1,062
North Countrymen Barbershop	Crow Wing	3,500

Northern Lights Chorale	Wadena	465
Pequot Lakes CAPP	Crow Wing	1,600
Pequot Lakes Community Ed.	Crow Wing	1,000
Pequot Lakes Community Ed.	Crow Wing	350
Pequot Lakes Community Ed.	Crow Wing	1,800
Pequot Lakes Student Theatre	Crow Wing	965
Pierz Community Ed.	Morrison	1,700
St. Francis Music Center	Morrison	3,500
St. Francis Music Center	Morrison	1,080
St. Francis Music Center	Morrison	788
Sebekia Centennial Committee	Wadena	3,471
Sebekia Elementary	Wadena	800
Sebekia Fine Arts	Wadena	2,400
Sebekia Fine Arts	Wadena	2,154
Staples Men's Chorus	Todd	930
Wadena Area Concert Band	Wadena	900
Wadena Deer Creek Fine Arts	Wadena	2,000
Wadena Deer Creek Fine Arts	Wadena	3,500

Total MSAB Project Funds **\$110,080**

TABLE 2
ROLLING PLAINS ART GALLERY PROJECT

<u>COMMUNITY</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
Cass Lake/Bena	Cass	500
Remer	Cass	500
Long prairie	Todd	500
Little Falls	Morrison	500
Staples	Todd	500
Pine River	Cass	500
Wadena	Wadena	500

Total Rolling Plains Funds **\$3,500**

TABLE 3
MCKNIGHT FOUNDATION GENERAL OPERATING/CAPITAL FUNDS

<u>AGENCY</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
GRAA	Morrison	3,500
Heartland Symphony	Morrison/Crow Wing	3,227
Northwoods Arts Council	Cass	3,500
Priairie Arts Council	Todd	3,500

Total Mcknight Organizational Funds **\$ 13,727**

TABLE 4
MCKNIGHT INDIVIDUAL ARTIST AWARDS

<u>ARTIST</u>	<u>COUNTY</u>	<u>\$ FUNDED</u>
Jeffrey Collins	Crow Wing	480
Lynda Converse	Todd	478
Charmaine Donovan	Crow Wing	500
Ann Luloff	Todd	385
Trudy Pax	Todd	500
Total Mcknight Individual Artist Funds		\$ 2,343

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 FY 99 and will finish their study in November, 1999:

<u>Student</u>	<u>County</u>	<u>Student</u>	
Melissa Breitenfeldt	Todd	David Schwen	Crow Wing
Christine Dallaire	Crow Wing	Naomi Sveom	Todd
Aimee Holden	Cass	Jackie Tellers	Wadena
Christine Kallevig	Wadena	Amber Vandenberghe	Crow Wing
Amy Metcalf	Cass	Jonathan Wichmann	Morrison

Rolling Plains Art Gallery The Five Wings Arts Program collaborating with Regions 1, 2, 4 and the Plains Art Museum in FY 99 to facilitate a traveling art gallery housed within a semi-trailer. The Rolling Plains Art Gallery visited 7 communities in Region 5 and was considered a great success. Five Wings will continue to work with everyone involved to keep this valuable program alive.

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 newsletter, which addresses arts concerns, opportunities, and activities throughout the region.

Website The Five Wings Arts Program staff also developed a website in FY 99 to better serve its constituents by providing information via the internet. This form of accessibility and visibility has proven to be very valuable.

COMMUNITY DEVELOPMENT

Region 5 provides technical assistance in the areas of land use planning and grant writing.

There has been an increased interest in comprehensive planning. Comprehensive plans for Sibley and Wadena County have been completed. Community surveys were completed on behalf of Sibley Township and the City of Jenkins.

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 homebuyers.

Region 5 is in the process of finalizing an ISTS (Individual Server Treatment System) loan program for Wadena County.

Region 5 Community Development staff is available as an Individual Server Treatment System Inspector and a Certified Accessibility Specialist.

ECONOMIC DEVELOPMENT

The North Central Economic Development Administration, Inc., administrator of the Region 5 Business Loan Fund, approved twelve (12) loans totaling \$358,000 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 Annual Update on the Comprehensive Economic Development Strategy (CEDS) 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 a community project. The project total is \$500,000.

Staff has worked on the creation of a housing program for the region. Housing needs have been identified as down payment assistance and single-family housing.

Staff is working on building two single-family housing units.

REGIONAL TRANSPORTATION PROGRAM

Numerous activities took place during FY 1999 related to the Transportation Planning Work Program.

The 15 member Region 5 Transportation Council continued to monitor regional transportation issues and provide recommendations to the Commission. The Region 5 Transportation Council developed a Region 5 Area Transportation Improvement Program (FY 2003) as part of the 12 county Area Transportation Partnership process.

Region 5 continues to work on a combination, regional tourism/inter-county route map. Local State Scenic By Way routes will be identified and included on the tourism map.

Region 5 provides technical assistance in the area of transit planning. As a result of the monitoring program, Cass and Crow Wing Counties are exploring the coordination of Section 5310 vehicles for public transportation and implementation of county wide transit systems. Region 5 continues to facilitate transportation provider meetings.

In addition, monitoring and information was provided on wetland regulations.

TECHNICAL PLANNING

Planning in the areas of transportation and land use with an emphasis on township transportation issues and with Land Use planning technical assistance and Community Survey development. Interest in planning and zoning at the township level has created calls for information and advice regarding technical processes used for decision-making on zoning needs.

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.

Region 5 Development Commission program efforts toward townships are enhanced by the ongoing working relationship with the Minnesota Association of Townships. Staff offers consultation for other Regional Development Commissions regarding township issues and state wide township programs.

Staff anticipates holding workshops dealing with Transportation Management. 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 assistance applicability to Region 5 local government.

Region 5 Development Commission
Estimated Fiscal Year 2001 Budget

05/24/2000

Revenue Comparison
Current FY00R1 and Estimated FY01

Revenues	Approved Budget	Proposed Budget	Difference
Technical Assistance	9,000	9,000	0
Local Levy	185,000	198,803	13,803
Interest & Miscellaneous Income	13,500	13,500	0
In-Kind	1,400	1,400	0
EDA Planning	52,000	52,000	0
MN State Arts Board	64,259	72,579	8,320
McKnight Foundation	2,400	2,400	0
MN Board on Aging Administration	99,912	97,684	(2,228)
North Central EDA, Inc.	40,088	42,409	2,321
MN Department of Transportation	50,000	50,000	0
Central MN Initiative Fund	5,000	0	(5,000)
Region 5 I & A Grant (AAA)	15,704	15,046	(658)
Subtotal Program Revenues	538,263	554,821	16,558
Direct Granting Assistance			
Area Agency on Aging	1,540,489	1,540,489	0
Five Wings Arts	110,888	102,568	(8,320)
EDA Revolving Loan Fund	0	0	0
Beaver Damage Grants	25,171	0	(25,171)
Subtotal Granting Assistance	1,676,548	1,643,057	(33,491)
TOTAL AGENCY REVENUES	2,214,811	2,197,878	(16,933)

Region 5 Development Commission
Estimated Fiscal Year 2000

05/24/2000

Expenditure Comparison
Current FY00R1 and Estimated FY01

Expenditures	Approved Budget	Proposed Budget	Difference
Salaries **	205,493	210,188	4,695
Fringe Benefits @ 27.5761%	58,756	57,960	(796)
Subtotal Personnel	264,249	268,148	3,899
Compensatory Time	6,617	6,582	(35)
Commission Benefits	1,505	1,505	0
Consultants/Mentor/etc.	12,500	5,000	(7,500)
Staff Travel	21,725	21,725	0
Consultant Travel	0	0	0
Commission Travel	8,750	8,750	0
Commission Per Diem	18,900	18,900	0
Council Travel	4,478	4,478	0
Reproduction and Printing	5,245	5,234	(11)
Telephone	600	600	0
Rent	5,929	5,930	1
Staff Car Usage	1,900	1,900	0
Postage	531	500	(31)
Supplies	1,225	1,225	0
Insurance - Office	3,644	3,644	0
Equipment	21,400	18,000	(3,400)
Maintenance - Equipment	645	645	0
Books, Reports & Memberships	5,616	5,616	0
Workshops/Conferences	4,000	4,000	0
Miscellaneous Expense	6,031	5,817	(214)
Subtotal Direct Costs	395,490	388,199	(7,291)
In-Kind	1,400	1,400	0
Total Direct Costs	396,890	389,599	(7,291)
Indirect Costs @ 60.5441%	151,767	165,094	13,327
TOTAL PROGRAM COSTS	548,657	554,693	6,036
Direct Granting Assistance			
Area Agency on Aging	1,540,489	1,540,489	0
Five Wings Arts Program	110,888	102,568	(8,320)
EDA Revolving Loan Fund	0	0	0
Beaver Damage Grants	25,171	0	(25,171)
Subtotal Granting Assistance	1,676,548	1,643,057	(33,491)
TOTAL R5 AGENCY BUDGET	2,225,205	2,197,750	(27,455)
Excess Revenues Over (Under) Expenditures	(10,394)	128	10,522
Fund Balance Actual 7/1/98 & Proj. 7/1/99	224,976	214,582	(10,394)
Fund Balance Proj. 6/30/99 & Proj. 6/30/00	214,582	214,710	128

Beinhorn & Company, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Commission Members
Region 5 Development Commission
Staples, Minnesota 56479

We have audited the accompanying general purpose financial statements of Region 5 Development Commission, Staples, MN 56479, as of and for the year ended June 30, 1998, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

Government Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the Year 2000 Issue. Region 5 Development Commission has not included such disclosures. Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Further, we do not provide assurance that Region 5 Development Commission is or will be year 2000 ready, that Region 5 Development Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Region 5 Development Commission does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosure, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Region 5 Development Commission as of June 30, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 1999 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Region 5 Development Commission taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Region 5 Development Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Beinhorn + Company, Ltd.

July 9, 1999