

DELTA REGIONAL AUTHORITY
PERFORMANCE AND ACCOUNTABILITY REPORT
SEPTEMBER 30, 2008

DELTA REGIONAL AUTHORITY
PERFORMANCE AND ACCOUNTABILITY REPORT
SEPTEMBER 30, 2008

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DELTA REGIONAL AUTHORITY
OFFICE OF THE FEDERAL CO-CHAIRMAN

From the Office of the Federal Co-Chairman

As the Federal Co-Chairman of the Delta Regional Authority, I am providing the Performance and Accountability Report for Fiscal Year 2008. This report is an accurate and comprehensive account of our performance for Fiscal Year 2008, and also includes comparative financial statements for Fiscal Years 2008 and 2007.

The Delta Regional Authority staff and I are dedicated to stimulating economic development and fostering partnerships that will have a positive impact on the region's economy. We are focused on accomplishing our role as a programs coordinator, economic developer and community planner.

The Delta Regional Authority has fully complied with *The Accountability for Tax Dollars Act (ATDA) of 2002* over the past six (6) years, and continues a long-term commitment to setting and maintaining high standards in financial integrity and compliance. The Delta Regional Authority meets each new challenge and expectation presented by the President and Congress.

In Fiscal Year 2008, Delta Regional Authority adopted our second Regional Development Plan to encompass all the necessary regulations, procedures and processes that will carry us from a start-up organization to a viable ongoing Executive Agency for the federal government.

Sincerely,

Pete Johnson
Federal Co-Chairman

SECTION 1 - MANAGEMENT DISCUSSION AND ANALYSIS

DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007

DELTA REGIONAL AUTHORITY

Listing of Officials
September 30, 2008

Federal Co-Chairman
Pete Johnson

States' Co-Chairman
Governor Bob Riley

Alternate Federal Co-Chairman
Rex Nelson

GOVERNORS AND STATE DESIGNEES/ALTERNATES

Alabama
Governor Bob Riley
Bill Johnson (Designee)
Bea Forniss (Alternate)

Louisiana
Governor Kathleen B. Blanco
Doyle Robinson (Designee)
Natalie Robottom (Alternate)

Arkansas
Governor Mike Beebe
Chris Masingill (Designee)

Mississippi
Governor Haley Barbour
Patrick Sullivan (Designee)

Illinois
Governor Rod R. Blagojevich
Larry Woolard (Designee)

Missouri
Governor Matt Blunt
Sally Hemingway (Designee)
Andy Papen (Alternate)

Kentucky
Governor Ernie L. Fletcher
Matt Sawyer (Designee)

Tennessee
Governor Phil Bredesen
Rick Meredith (Designee)



Chief Operating Officer
Blair Jernigan

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007**

Introduction

The Delta Regional Authority (“DRA” or “the Authority”) is a federal-state partnership serving a 240-county/parish area in an eight-state region. Led by a federal co-chairman and the governors of each participating state, DRA is designed to remedy severe and chronic economic distress by stimulating economic development and fostering partnerships that will have a positive impact on the region’s economy. DRA helps economically distressed communities take advantage of other federal and state programs focused on basic infrastructure development and transportation improvements, business development and job training services.

The following is a discussion and analysis of the operating results and financial position of DRA, created by the Delta Regional Authority Act of 2000. DRA’s original authorization expired on October 1, 2007, but has been further extended in the 2007 Farm Bill. The Bill extends the Authority’s authorization and termination dates to 2012. DRA began its startup phase on November 6, 2001, and had its first meeting of the Board on February 23, 2002. At that time, DRA began staffing and working diligently to establish policies and procedures under which to operate, along with creating our long-range plan as required by the guidelines defined in our public law.

As listed in the Management Discussion Analysis and throughout the Performance Accountability Report, DRA continues to emphasize performance accountability and sustainability within its program. Please review this document in conjunction with the annual financial statements and accompanying notes hereto.

Program Highlights for Fiscal Year 2008

The Authority has continued to emphasize the four funding priorities areas which are: basic public infrastructure, transportation infrastructure, business development, and workforce development, with emphasis on job creation and job retention. Basic public and transportation infrastructure project funding totaled \$7,392,315, which is 96.43 percent (well above the 50 percent required by statute) of the total fiscal year 2008 project funding allocation of \$7,789,000. Also, investment in distressed counties total \$7,289,000, which is 94 percent (well above the 75 percent required by statute) of the total fiscal year 2008 project funding allocation of \$7,964,118.

DRA’s 2008 grant funds attracted \$23,328,920 in additional project funding, a ratio of 2.93 to 1, and \$120,746,000 in leveraged private investment, a ratio of 15.16 to 1. The projects funded this year will create an estimated 281 jobs, retain 821 jobs and train 589 workers in new skills.

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007**

Distressed Counties/Parishes Fiscal Year 2008

The Delta Regional Authority Enabling Legislation requires the Authority to update distressed county designation annually. The tabulation, based on 2006 per capita income from the Bureau of Economic Analysis and the May 2008 national unemployment rate performed in July 2008 for the fiscal year 2008, resulted in distressed counties/parishes decreasing from 231 to 227 (see list below).

Tabulated May 2008

Alabama	Independence	Williamson	Jackson	Mississippi	Marion
	Izard		Jefferson Davis	New Madrid	Marshall
Barbour	Jackson	Kentucky	La Salle	Oregon	Montgomery
Bullock	Jefferson		Lincoln	Ozark	Panola
Butler	Lawrence	Caldwell	Livingston	Pemiscot	Pike
Choctaw	Lee	Calloway	Madison	Perry	Quitman
Clarke	Lincoln	Carlisle	Morehouse	Phelps	Sharkey
Conecuh	Lonoke	Christian	Natchitoches	Reynolds	Simpson
Dallas	Marion	Crittenden	Ouachita	Ripley	Smith
Escambia	Mississippi	Fulton	Pointe Coupee	Scott	Sunflower
Greene	Monroe	Graves	Red River	Shannon	Tallahatchie
Hale	Ouachita	Henderson	Richland	St. Francois	Tate
Lowndes	Phillips	Hopkins	St. Helena	Ste. Genevieve	Tippah
Macon	Poinsett	Livingston	St. James	Stoddard	Tunica
Marengo	Prairie	Lyon	St. John The	Texas	Union
Monroe	Randolph	Marshall	Baptist	Washington	Walthall
Perry	Searcy	McLean	St. Landry	Wayne	Washington
Pickens	Sharp	Muhlenberg	St. Martin	Wright	Wilkinson
Russell	St. Francis	Todd	Tangipahoa		Yalobusha
Sumter	Stone	Union	Tensas	Mississippi	Yazoo
Washington	Union		Union		
Wilcox	Van Buren	Louisiana	Vermillion	Adams	Tennessee
	White		Washington	Amite	
Arkansas	Woodruff	Acadia	Webster	Attala	Benton
		Allen	West Baton	Benton	Carroll
Arkansas	Illinois	Assumption	Rouge	Bolivar	Chester
Ashley		Avoyelles	West Carroll	Carroll	Crockett
Baxter	Alexander	Beauregard	West Feliciana	Claiborne	Decatur
Bradley	Franklin	Bienville	Winn	Coahoma	Dyer
Calhoun	Gallatin	Caldwell		Copiah	Fayette
Chicot	Hamilton	Cameron	Missouri	Covington	Gibson
Clay	Hardin	Catahoula		Franklin	Hardeman
Cleveland	Jackson	Claiborne	Bollinger	Grenada	Hardin
Craighead	Johnson	Concordia	Butler	Holmes	Haywood
Crittenden	Massac	De Soto	Carter	Humphreys	Henderson
Cross	Perry	East Carroll	Crawford	Issaquena	Henry
Dallas	Pope	East Feliciana	Dent	Jasper	Lake
Desha	Pulaski	Evangeline	Douglas	Jefferson	Lauderdale
Drew	Randolph	Franklin	Dunklin	Jefferson Davis	McNairy
Fulton	Saline	Grant	Howell	Lawrence	Obion
Grant	Union	Iberia	Iron	Leflore	Tipton
Greene	White	Iberville	Madison	Lincoln	Weakley

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007**

Organizational Structure of the Delta Regional Authority

DRA is comprised of the eight governors of the states that are included in the DRA region, along with a federal co-chairman who is appointed by the President and confirmed by the Senate. Together this group is better referred to as the DRA Board. The DRA Board, as per the DRA statute, appoints one governor of the eight states to serve as the states' co-chairperson. In February 2007, the Honorable Governor Bob Riley of Alabama was selected as the DRA's third states' co-chairperson. The DRA statute also calls for the Board to hold a quorum meeting annually, which a majority of the governors attend. For all other DRA meetings, the governors can appoint an alternate to serve in his or her absence.

The relationship between the participating states governors and the federal co-chairman is a partnership, whereas all board members share the responsibilities of the Authority. These responsibilities start with the policy-making decisions and extend through the selection of the grant recipients. The board voting structure is set up in a way that the majority of the eight governors constitute one vote and the federal co-chairman constitutes one vote.

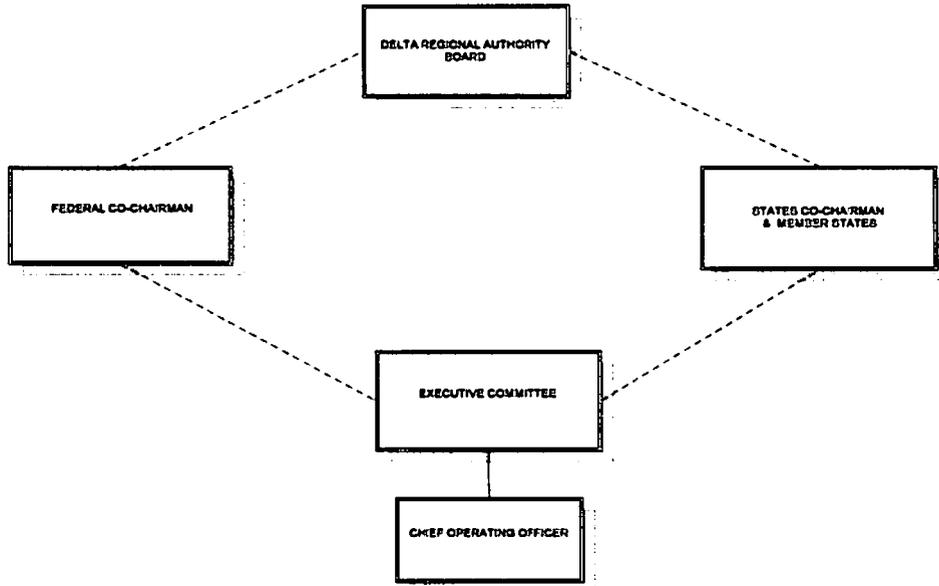
As per the DRA law, an alternate federal co-chairman shall be appointed by the President at his discretion to serve in the absence of the federal co-chairman. In the beginning of Fiscal Year 2006, Rex Nelson was appointed by the President to serve in this capacity.

The federal co-chairman maintains an office separate from the DRA office. The federal co-chairman's office is staffed with four full-time federal employees and one part-time federal employee. In addition, two DRA employees have been detailed from the office of DRA to assist the federal co-chairman. The DRA office consists of eight employees. These employees carry out the normal day-to-day operations of DRA, *i.e.*, finance, grant program and special initiatives.

Following are the current DRA organizational charts:

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007**

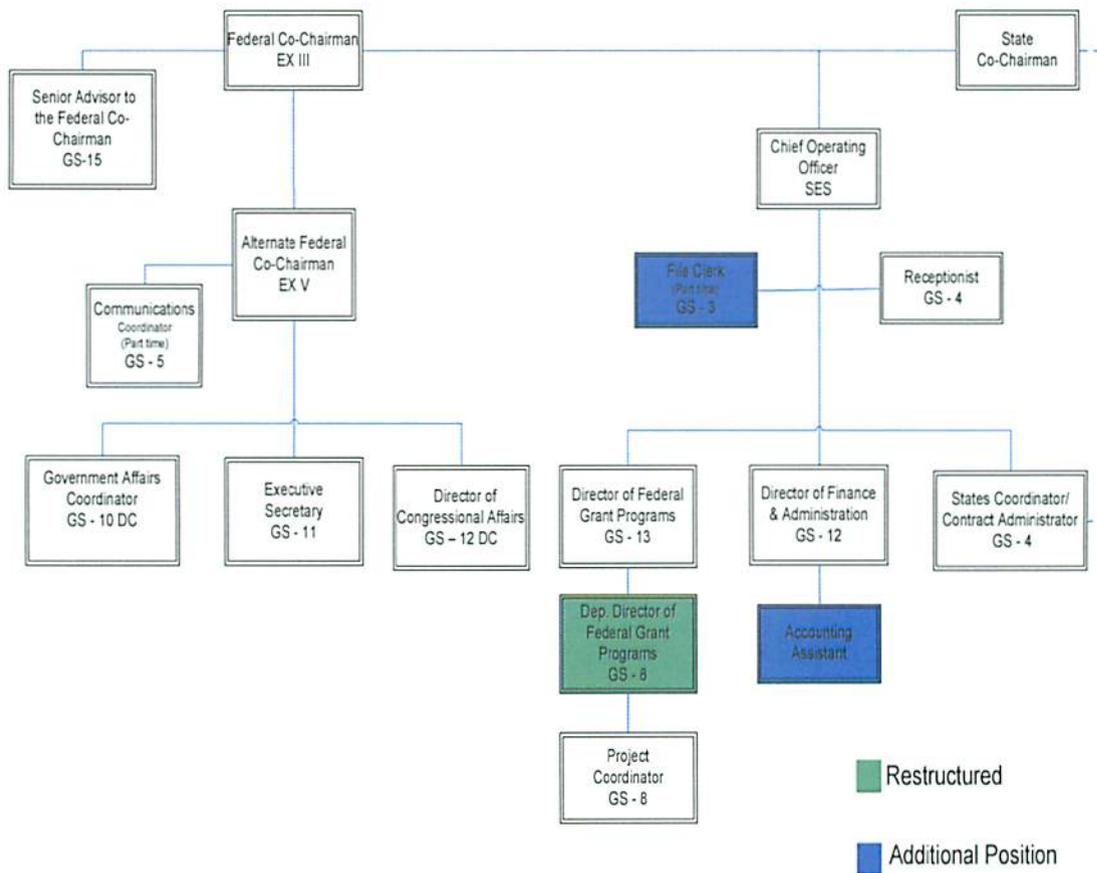
**DELTA REGIONAL AUTHORITY
ADMINISTRATIVE CHART**



**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007**



DELTA REGIONAL AUTHORITY ORGANIZATIONAL CHART



Financial Management of DRA

DRA utilizes General Services Administration (GSA) for assistance in the management of its grant obligations, disbursements, and the financial reporting of its federally appropriated dollars. Because of the Authority's size, the use of GSA has been very cost-effective. GSA has also assisted the Authority with the compliance of many federal mandated requirements. The state administrative funds, along with other funds, are held by banks located throughout the DRA region and accounted for by the Director of Finance and Administration.

**DELTA REGIONAL AUTHORITY
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The DRA has just completed its sixth year of compliance with the Accountability of Tax Dollars Act of 2002. Although this requirement was first mandated for Fiscal Year 2003, the Federal Co-chairman was very diligent in hiring an accounting firm shortly after the startup of our organization in November 2001, to do a full controls audit, as well as an audit over the entire federal grant program. The Federal Co-Chairman continues to initiate agreed-upon procedures reviews to ensure accountability from an internal perspective.

Financial Highlights

Following is a summary of the changes in assets, liabilities, revenues, expenditures and net position at September 30, 2008, as compared to the prior years ended September 30, 2007 and September 30, 2006:

- Total assets increased \$2,921,017, or 11.34% during 2008, compared to an \$4,828,063, or 23.07% increase during 2007
- Total liabilities increased \$372,156, or 25.01% during 2008, compared to a \$698,470, or 88.46% increase during 2007
- Financing sources decreased \$1,139,821, or 7.85% during 2008, compared to a \$1,711,780, or 13.02% increase during 2007
- The net cost of operations increased \$449,911, or 4.33% during 2008, compared to a \$3,871,930, or 59.42% increase during 2007
- Net position increased \$2,548,861, or 10.50% during 2008, as compared to a \$4,138,593, or 20.00% increase during 2007

Overview of the Financial Statements

Management's discussion and analysis introduces DRA's principal statements. The principal statements include: (1) balance sheets, (2) statements of net cost, (3) statements of changes in net position, (4) statements of resources (budgetary and non-budgetary), and (5) notes to financial statements. DRA also includes in this report additional information to supplement the principal statements.

Balance Sheets – The balance sheets present, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
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Condensed Combined Balance Sheets

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and Total Assets	\$ 28,675,701	\$ 25,754,684	\$ 20,926,621
Current and Total Liabilities	\$ 1,860,225	\$ 1,488,069	\$ 798,599
Net Position			
Unexpended appropriations/state funds	26,848,791	24,308,189	20,165,572
Cumulative results of operations	<u>(33,315)</u>	<u>(41,574)</u>	<u>(37,550)</u>
Total Net Position	<u>26,815,476</u>	<u>24,266,615</u>	<u>20,128,022</u>
Total Liabilities and Net Position	<u>\$ 28,675,701</u>	<u>\$ 25,754,684</u>	<u>\$ 20,926,621</u>

Total assets increased \$2,921,017, or 11.34% during 2008, compared to \$4,828,063, or 23.07% increase during 2007. The increase from 2006 to 2007 was due to grant funding for 2006 not obligated until 2007. The difference in 2007 to 2008 is the FHWA reimbursable agreement that was established.

As referenced above, total liabilities increased \$372,156, or 25.01% during 2008, compared to a \$689,470, or 86.33% increase during 2007. The 2008 increase was due to an increase in RCAP funding received through USDA.

Statements of Net Cost – The statements of net cost are designed to show separately the components of the net cost of the reporting entity’s operations for the period. The net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program (non-production costs are costs linked to events other than the production of goods and services). The net cost of a program consists of gross cost less related exchange revenues. By disclosing the gross and net cost of the entity’s programs, the combined statements of net cost provide information that can be related to the outputs and outcomes of the programs and activities.

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
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Condensed Statements of Net Cost

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Program Costs			
Intragovernmental net costs	\$ 82,950	\$ 87,170	\$ 76,690
Net costs with the public	<u>10,754,843</u>	<u>10,300,712</u>	<u>6,439,262</u>
Total Program Costs	<u>10,837,793</u>	<u>10,387,882</u>	<u>6,515,952</u>
 Net Cost of Operations	 <u>\$ 10,837,793</u>	 <u>\$ 10,387,882</u>	 <u>\$ 6,515,952</u>

Net position increased \$2,548,861, or 10.50% during 2008, as compared to a \$4,138,593, or 20% increase during 2007. The 2008 increase is best reflected by the increase in the RCAP funding, whereas the 2007 increase was due to the FHWA reimbursable agreement.

Statements of Changes in Net Position – The statements of changes in net position report the change in net position during the reporting period. Net position is affected by changes to its two components: cumulative results of operations and unexpended appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

Condensed Combined Statements of Changes in Net Position

	2008		2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations/ Funds	Cumulative Results of Operations	Unexpended Appropriations/ Funds	Cumulative Results of Operations	Unexpended Appropriations/ Funds
Beginning Balance	\$ (41,574)	\$ 24,308,189	\$ (37,550)	\$ 20,165,572	\$ (37,856)	\$ 13,829,279
Budgetary Financing Sources	8,214,524	2,737,726	6,897,054	4,244,845	4,819,597	6,454,921
Other Financing Sources	<u>2,631,528</u>	<u>(197,124)</u>	<u>3,486,804</u>	<u>(102,228)</u>	<u>1,696,661</u>	<u>(118,628)</u>
Total Financing Sources	<u>10,846,052</u>	<u>2,540,602</u>	<u>10,383,858</u>	<u>4,142,617</u>	<u>6,516,258</u>	<u>6,336,293</u>
 Net Cost of Operations	 <u>10,837,793</u>	 <u>-</u>	 <u>10,387,882</u>	 <u>-</u>	 <u>6,515,952</u>	 <u>-</u>
 Net Change	 <u>8,259</u>	 <u>2,540,602</u>	 <u>(4,024)</u>	 <u>4,142,617</u>	 <u>306</u>	 <u>6,336,293</u>
 Ending Balance	 <u>\$ (33,315)</u>	 <u>\$ 26,848,791</u>	 <u>\$ (41,574)</u>	 <u>\$ 24,308,189</u>	 <u>\$ (37,550)</u>	 <u>\$ 20,165,572</u>

Financing sources decreased \$1,139,821, or 7.85% during 2008, compared to a \$1,673,924, or 13.02% increase during 2007. The 2008 decrease and 2007 increase were due primarily to funding received for the FHWA reimbursable agreement during 2007.

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008 AND 2007**

Additionally, the remaining 2008 decrease can be attributed to a decrease in appropriations from \$11,887,821 for 2007 to \$11,685,000 in 2008.

The net cost of operations increased \$449,911, or 4.33% during 2008, compared to a \$3,871,930, or 59.42% increase during 2007. The 2008 increase was minimal, whereas the 2007 increase was vastly due to the FHWA reimbursable agreement.

Statements of Resources (Budgetary and Non-Budgetary) – The statements of resources (budgetary and non-budgetary) provide information about how budgetary resources were made available, as well as their status at the end of the period. It is the only financial statement predominantly derived from an entity’s budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into accounting principles generally accepted in the United States of America for the Federal government.

Condensed Statements of Resources (Budgetary and Non-Budgetary)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Resources (Budgetary and Non-Budgetary Resources)	\$ 29,532,285	\$ 30,161,869	\$ 22,123,416
Total Status of Budgetary Resources	29,532,285	30,161,869	22,123,416
Total, Unpaid Obligated Balance, Net - End of Period	13,783,642	11,518,383	5,494,722
Net Outlays	10,311,800	10,499,197	6,501,072

Notes to Financial Statements – The notes to financial statements are an integral part of the financial statements. They explain some of the information in the financial statements and provide more detailed data.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

**DELTA REGIONAL AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
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Contacting DRA's Financial Management

This financial report is designed to fulfill the obligations of DRA as it relates to the Accountability for Tax Dollars Act of 2002. The report details the financial position of DRA as of September 30, 2008 and 2007, and demonstrates DRA's proper accountability for all the monies and appropriations received.

If you have any questions about this report or need additional information, please contact the Director of Finance and Administration for the Delta Regional Authority at 236 Sharkey Avenue, Suite 400, Clarksdale, Mississippi 38614, or call (662) 624-8600 extension 20.

PART 2 - PERFORMANCE SECTION

**DELTA REGIONAL AUTHORITY
FISCAL YEAR 2008 PERFORMANCE REPORT**

INTRODUCTION

The Government Performance and Results Act of 1993 (“GPR”) requires all federal agencies to submit a report to Congress on actual program results at the end of each fiscal year along with its audited financial statements outlined in OMB 01-09. This report incorporates Delta Regional Authority’s (“DRA” or “the Authority”) goals and objectives, as well as other projects designed to assist the 240 county/parish area in the eight-state territory (“the Region”) that DRA serves.

OVERVIEW OF THE AUTHORITY

DRA, created by Congress in 2000, is a federal-state partnership serving a 240-county/parish area in an eight-state Region. Led by two presidential appointees, Federal Co-Chairman and Alternate Federal Co-Chairman, along with a State Co-Chairman and the governors of each participating state, the Authority is designed to remedy severe and chronic economic distress by stimulating economic development and fostering partnerships that will have a positive impact on the Region’s economy. The Authority helps economically distressed communities to leverage other federal and state programs, which are focused on basic infrastructure development, transportation improvements, business development, and job training services. Federal law requires at least 75 percent of funds must be invested in distressed counties and parishes and pockets of poverty, with 50 percent of the funds earmarked for transportation and basic infrastructure improvements.

At the local level, the Authority will coordinate efforts with a combination of agencies. Assisting the Authority will be local development districts (“LDDs”), regional entities with a proven track record of helping small municipalities, counties and parishes improve basic infrastructure and stimulate growth.

DRA will also partner with USDA's Rural Development Administration (“RDA”). Through their network of state and local offices, the RDA will assist the Authority not only with project evaluation criteria for proposed projects, but with the administration of projects as well. Additionally, the Authority should work with each member state’s Department of Economic Development, local development districts, Department of Transportation, governors’ offices, Department of Health, and city and county government.

DELTA REGIONAL AUTHORITY FEDERAL GRANT PROGRAM 2008

Governors’ project recommendations demonstrate the Authority’s continued emphasis of the four funding priorities areas which are: basic public infrastructure, transportation infrastructure, business development, and workforce development, with emphasis on job creation and job retention. Basic public and transportation infrastructure project funding totaled \$7,392,315, which is 96.43 percent (well above the 50 percent required by statute) of the total fiscal year 2008 project funding allocation of \$7,789,000. Also, investment in distressed counties total \$7,289,000, which is 94 percent (well above the 75 percent required by statute) of the total fiscal year 2008 project funding allocation of \$7,964,118.

**DELTA REGIONAL AUTHORITY
FISCAL YEAR 2008 PERFORMANCE REPORT**

DRA's FY 2008 grant funds attracted \$23,328,920 in additional project funding, a ratio of 2.93 to 1, and \$120,746,000 in leveraged private investment, a ratio of 15.16 to 1.

Overall:

- DRA has contributed:
 - \$64,007,877 to 439 projects in its eight-state region for total project costs of \$365,435,711.
- DRA total project cost includes an additional leverage of:
 - \$301,427,834 in other federal, state and local funds, which is a ratio of 4.71 to 1.
- In addition, private funds invested in these projects total:
 - \$1,340,925,000, which is a ratio of 20.95 to 1, private dollars to DRA dollars.
- Total leveraged investment of:
 - \$1,642,352,834, including federal, state, local and private funds produced a ratio of 25.66 to 1.
- Since the inception of DRA Federal Grants Program, 204 projects have been completed with the following results:
 - 2,801 jobs created
 - 6,075 jobs retained
 - 13,301 families received improved water and sewer
 - 2,588 individuals trained for jobs
- DRA now has 157 projects which are active, with projected outcomes including: 17,335 families who will receive improved water and sewer, 4,306 jobs which will be created, 6,659 jobs which will be retained and 1,198 individuals who will be trained for jobs already committed to this Authority.

A further breakdown of these results can be seen in our comprehensive listing of our Federal Grant Program. These results are broken down by the DRA's eight partnering states and also by fiscal year. Please go to www.dra.gov and look under State Grant Program.

**DELTA REGIONAL AUTHORITY
FISCAL YEAR 2008 PERFORMANCE REPORT**

DRA MULTIMODAL INITIATIVE:

**“ASSETS, NEEDS AND RECOMMENDATIONS” REPORT TO CONGRESS AND
SECRETARY OF TRANSPORTATION**

The Delta Regional Authority released its multimodal transportation plan for the Region in 2008. The Authority had been mandated by Congress to develop a comprehensive multimodal strategic plan. That mandate was included in the 2005 national highway act. During the fall of 2007, the DRA hosted a series of public meetings to gather information on multimodal transportation in the Region.

"When Congress directed us to prepare a report on the multimodal transportation assets and needs in our Region, along with recommendations, we were delighted to take on the task," says Pete Johnson, the DRA's Federal Co-chairman. "It fits perfectly into the DRA's role as a planner, a coordinator of resources and an advocate for the Delta. This report complements our Delta Development Highway System plan, which was released in 2007. When the DRA was created by Congress in 2000, one of the investment priorities outlined was the transportation infrastructure of the Region. We've made numerous infrastructure investments in recent years."

Thousands of hours of work during a period of more than a year were devoted to compiling the multimodal transportation plan. Eighteen meetings were held across the Region, and input was received from more than 500 key players. The assets and needs were identified for highways, bridges, intelligent transportation systems, freight rail, passenger rail, waterways, ports, locks and airports. Then, recommendations to improve the multimodal transportation system were made.

"Our report is a definitive one because of this intense outreach effort," Johnson says. "We worked closely with federal, state and local agencies to ensure that this plan dovetails into their efforts. We also received guidance from the National Surface Transportation Policy and Revenue Study Committee's "Transportation for Tomorrow" report, which was released in December. This effort provided the guiding principles for our recommendations: safety, efficiency, congestion reduction, economic development, energy concerns and environmental concerns."

The same consulting team that developed the Delta Development Highway System plan -- Wilbur Smith Associates, the Michael Baker Corp. and Neel-Schaffer Inc. -- came together again to work with the DRA on the multimodal transportation plan.

"More than \$200 billion in investments will be needed during the next 25 years to ensure the efficient movement of people and goods in the Delta," Johnson says. "This region has become a vital cog in the world logistics and distribution network. Our report shows why making these investments will be a wise move as this country competes in the increasingly complex global economy of the new century."

**DELTA REGIONAL AUTHORITY
FISCAL YEAR 2008 PERFORMANCE REPORT**

Please visit the website http://dra.gov/pdfs/Jul 28 2008/DRA_CD_Intro.pdf to view the Multimodal Assets and Needs in the DRA Region:

- [FCC Letter](#)
- [TOC and Abbreviations.pdf](#)
- [Executive Summary](#)
- [Introduction](#)
- [SAFETA-LU](#)
- [Regional Coordination](#)
- [Assets and Needs](#)
- [Highways and Bridges](#)
- [Intelligent Transportation Systems](#)
- [Freight Rail](#)
- [Passenger Rail](#)
- [Aviation](#)
- [Waterways Ports and Locks](#)
- [Acknowledgements](#)
- [Appendix A – Stakeholder Reported Needs](#)
- [Appendix B – Certification Letters](#)
- [Appendix C – Delta Development Highway System](#)
- [Cover](#)

PERFORMANCE ASSESSMENT RATING TOOL (PART)

Since the inception of PART, the Federal Co-Chairman has pursued a qualified rating, so as to accomplish a prime objective that DRA becomes a world-class, compliance-driven, high-performing, mission-orientated federal agency. In Fiscal Year 2008, the FCC re-constituted an effort by the DRA staff to drive the organization to a higher and more acceptable rating. In order to achieve this rating, DRA partnered with the firm of **BKD, LLP** who provided an independent, unbiased assessment of the DRA's performance measures. The PART process measures agencies as a performing or non-performing agency. In fiscal year 2008, DRA's efforts were able to advance from non-performing results not demonstrated to performing adequately.

The following bullet points are questions and OMB responses out of the DRA's PART submission which illustrates the accomplishments that have been certified by the Office of Management and Budget:

**DELTA REGIONAL AUTHORITY
FISCAL YEAR 2008 PERFORMANCE REPORT**

<u>OMB MEASUREMENTS</u>	<u>OMB RESPONSE</u>
<ul style="list-style-type: none"> • Is the program purpose clear? 	Yes
<ul style="list-style-type: none"> • Does the program address a specific and existing problem, interest or need? 	Yes
<ul style="list-style-type: none"> • Is the program design free of major flaws that would limit the programs effectiveness or efficiency? 	Yes
<ul style="list-style-type: none"> • Is the program design effectively targeted so that the resources will address the programs purpose directly and will reach intended beneficiaries? 	Yes
<ul style="list-style-type: none"> • Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? 	Yes
<ul style="list-style-type: none"> • Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? 	Yes
<ul style="list-style-type: none"> • Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program? 	Yes
<ul style="list-style-type: none"> • Has the program taken meaningful steps to correct its strategic planning deficiencies? 	Yes
<ul style="list-style-type: none"> • Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance? 	Yes
<ul style="list-style-type: none"> • Are federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results? 	Yes
<ul style="list-style-type: none"> • Are funds (federal and partners') obligated in a timely manner, spent for the intended purpose and accurately reported? 	Yes

**DELTA REGIONAL AUTHORITY
FISCAL YEAR 2008 PERFORMANCE REPORT**

<u>OMB MEASUREMENTS</u>	<u>OMB RESPONSE</u>
<ul style="list-style-type: none"> • Does the program have procedures (<i>e.g.</i>, competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost-effectiveness in program execution? 	Yes
<ul style="list-style-type: none"> • Does the program collaborate and coordinate effectively with related programs? 	Yes
<ul style="list-style-type: none"> • Does the program use strong financial management practices? 	Yes
<ul style="list-style-type: none"> • Has the program taken meaningful steps to address its management deficiencies? 	Yes
<ul style="list-style-type: none"> • Does the program have oversight practices that provide sufficient knowledge of grantee activities? 	Yes
<ul style="list-style-type: none"> • Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner? 	Yes

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The OMB PART process requires each agency to provide Ongoing Program Improvement Plans and Program Performance Measures of which DRA submitted the following for 2008:

2008 IMPROVEMENT PLANS

Year Began	Improvement Plan	Status	Comments
2008	Work with independent evaluator to create and implement an appropriate high quality evaluation to assess program effectiveness	Action taken, but not completed	
2008	Create and implement transparent project selection process	Action taken, but not completed	Work with member states to create and implement a transparent and competitive project selection process.
2008	Produce annual performance measures.	Completed	

2008 PROGRAM PERFORMANCE MEASURES

Measure: Jobs Created and/or Retained

Year	Target	Actual
2003	131	220
2004	3671	1729
2005	1992	3438
2006	4128	5214
2007	2534	2235
2008	2587	2376
2009	2187	
2010	2235	
2011	2206	
2012	2364	

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Measure: People Who Gained Employment from Training in their Area.

Year	Target	Actual
2003	53	70
2004	0	0
2005	2566	962
2006	833	1446
2007	821	359
2008	645	41
2009	126	
2010	254	
2011	436	
2012	510	

Measure: Average time to determine federal grant project eligibility of pre-applications from Local Development District.

Year	Target	Actual
2006	Baseline	35
2007	30	36
2008	30	30
2009	30	
2010	30	
2011	29	

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Measure: Average time from receipt of full grant applications from states to disposition.

Year	Target	Actual
2004	Baseline	32
2005	30	30
2006	29	32
2007	29	51
2008	28	30
2009	28	
2010	28	

Measure: Ratio of grant administrative expenses for salaries and fringe benefits to project grant dollars.

Year	Target	Actual
2005	Baseline	1:28
2006	1:30	1:55
2007	1:30	1:44
2008	1:30	1:44
2009	1:30	
2010	1:30	
2011	1:30	
2012	1:30	

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Measure: Cost Per Job Created

Year	Target	Actual
2002	NA	464
2003	NA	1018
2004	NA	686
2005	NA	1759
2006	NA	2829
2007	NA	5755
2008	5250	5100
2009	4550	
2010	4250	
2011	4250	

REVISED COMPREHENSIVE DEVELOPMENT PLAN

A great step forward for DRA is its second five-year Regional Development Plan, which will guide the Authority in an even more business-like way. DRA is especially pleased to highlight some of our system improvements:

- Investment targets for the Authority’s federal grant program based on empirically derived growth factors,
- Extremely detailed timelines with appropriate milestones and (efficiency) performance benchmarks,
- Readily adaptable (effectiveness) performance measures to be directly integrated into DRA’s PAR and PART processes, and
- A more-systemic, coordinated approach for federal investment into projects to improve local and state economies.

The vision of the Delta Region is to achieve a pattern of sustained growth by increasing capital investment and productivity. This will establish the Region as a magnet for talent and innovation and will nurture a sense of place within each community. The mission of the DRA is to serve as a regional focal point for resources, planning, and ideas. The DRA will be a catalyst for investment in the communities and in the people of the Mississippi Delta. The strategic goals of the DRA are:

- Goal 1: Advance the productivity and economic competitiveness of the Delta workforce.

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- Goal 2: Strengthen the Delta's physical and digital connections to the global economy.
- Goal 3: Create critical mass within Delta communities.

The management goal of the DRA is to maintain organizational excellence and continue to be recognized as a steward of public resources. The challenge of this plan is to create a single vision that integrates existing programs, while taking into account traditional performance measures. The challenge is met by a focus on the competitiveness of the Delta workforce. The Plan was approved in Fiscal Year 2007, which was subject to a few minor changes. All changes have been made and further approved in Fiscal Year 2008. Additionally, DRA has requested all of the member states to begin modifying their plan to accommodate the goals and measures outlined in the plan.

HEALTHY DELTA INITIATIVE

For two years, the Delta Regional Authority has operated the Healthy Delta Program with the goal of:

- Educating Delta residents on the symptoms and dangers of diabetes.
- Convincing people in the Region to do something about their diabetes by calling a toll-free number for more information and referrals to health clinics in their area.

Using the Healthy Delta banner, the DRA hopes to later pursue broader health and wellness issues in the Region. A special effort is being made to ensure the message does not miss hard-to-reach minority populations in the 240 counties and parishes served by the DRA.

As many as two-thirds of the people with diabetes don't even know they have the disease. More than 4,000 people in this country are diagnosed daily with diabetes. An estimated 55 people go blind each day due to the disease, and there is an average of 230 amputations per day. The cost of diabetes to the country is more than \$130 billion per year. The disease is particularly acute in the areas served by the DRA. The DRA is committed to raising awareness of diabetes and its causes and then driving at-risk residents into existing systems for treatment.

"To improve the economy of this Region, we must first improve the health of our workforce," says Pete Johnson, the DRA's Federal Co-chairman.

The American Diabetes Association has officially endorsed the Healthy Delta initiative as a program that is in line with its goals. The DRA also has developed relationships with the Medicaid directors in the eight states it serves.

Health care is a key component of the DRA's vision for the Region, because strong, growing communities are built with healthy workforces. If a worker isn't healthy, that worker can't hold a job, support a family or contribute to the economic growth of the community. When there are

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health issues that affect workers across a wide geographic area, the entire region's economy suffers.

Diabetes can lead to more serious problems such as heart attacks, strokes and even death. The Region's economy will never advance if the health of the workforce is not improved. A healthy workforce is the vital foundation if the Delta is truly to build an economy for the 21st century.

FISCAL YEAR 2008 CONTINUING WORK

DELTA DEVELOPMENT HIGHWAY SYSTEM PLAN

During a planning retreat in February 2005, the DRA board voted to make transportation one of the Authority's three major policy development areas, along with health care and information technology. Shortly after that retreat, the Authority contracted with a consortium of firms to assist the DRA with transportation planning.

The Delta Development Highway System plan was developed following input from transportation executives and local organizations in the eight states covered by the DRA. Public meetings were held throughout the Region in the fall of 2006.

The Delta Development Highway System consists of 3,843 miles of roads throughout the region. The estimated cost to complete the planned improvement projects for these roads is \$18.5 billion, while the projected annual benefits are \$3.5 billion. Of the roads in the plan, 27 percent provide four or more travel lanes already, while the remaining facilities are additional lanes for existing two-lane facilities.

For the complete program description, please go to <http://dra.gov/programs/transportation/> and follow the links below.

- [Abbreviations](#)
- [Executive Summary](#)
- [Introduction](#)
- [DDHS Approach and Designation Criteria](#)
- [Initial Highway Economic Impact Analysis](#)
- [Alabama](#)
- [Arkansas](#)
- [Illinois](#)
- [Kentucky](#)
- [Louisiana](#)
- [Mississippi](#)
- [Missouri](#)
- [Tennessee](#)
- [DRA DDHS Map](#)
- [Alabama DDHS Map](#)

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- [Arkansas DDHS Map](#)
- [Illinois DDHS Map](#)
- [Kentucky DDHS Map](#)
- [Louisiana DDHS Map](#)
- [Mississippi DDHS Map](#)
- [Missouri DDHS Map](#)
- [Tennessee DDHS Map](#)

INFORMATION TECHNOLOGY – iDelta

While much of the country has been reaping the economic benefits of the information age, large parts of the Delta have been left behind. Many of the 240 counties and parishes covered by the Authority lack adequate access to a robust telecommunications infrastructure. This has exacerbated the Region's geographical isolation and served as a barrier to the economic, educational, medical and various other benefits that areas outside the Region have enjoyed for years. The problem is particularly acute in the Region's distressed counties. These are areas where poverty and unemployment rates are substantially higher than the national averages.

During a strategic planning retreat in February 2005, the DRA board determined that one of the Authority's three top policy priorities would be information technology. To support its policy position, the Authority devoted \$150,000 to create an information technology plan for the Region. It is hoped that the increased availability and use of technology will improve:

- Health access, quality and affordability. The DRA will work to improve information technology capacity, creating more virtual access points to the health care system and improving the health of Delta residents.
- Education through lifelong learning and workforce development. The Authority will attempt to improve workforce skills through enhanced information technology networks and systems. The DRA will try to better integrate technology into continuing education programs, while expanding community awareness and training efforts.
- Business development and e-commerce, with an emphasis on entrepreneurship. Increased information technology capacity and access will increase employment.

In May 2007, the DRA released its information technology plan for the Region. The plan was developed in conjunction with Southern Growth Policies Board. The comprehensive plan to build information technology access and utilization in the Region is titled "iDelta: Information Technology in the Delta." Goals of the plan are to improve education, enhance entrepreneurship and improve health care through the use of information technology. The plan provides research and data on the capacity and utilization of information technology in the Region. There are recommendations for expanding the availability, usage and awareness of information technology.

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DELTA DOCTORS

In an attempt to increase the number of doctors serving Delta residents, the DRA has implemented the Delta Doctors program. The program allows foreign physicians who are trained in this country to work in medically underserved areas for three years. Most choose to stay far longer once they develop a patient base. Those in the Delta Doctors program do not take jobs away from U.S.-born physicians. Instead, they provide services in areas where otherwise there would be a shortage of physicians.

The DRA is one of the few government agencies allowed to recommend such visa waivers to the State Department. Medical school graduates from other countries normally are required to return to their home countries for at least two years after they complete their education. The J-1 visa waiver obtained under the Delta Doctors program allows them to stay in the United States if they spend at least three years in medically underserved areas. The physicians must provide primary care in their specialty fields for at least 40 hours a week. They also must provide care to the indigent, Medicaid recipients and Medicare recipients. The Delta Doctors program accepts waiver requests for medical specialists.

To date, the Delta Doctors program has assisted with the placement of approximately 100 physicians in the Region, which has helped to better meet the health care needs of more Delta families.

LEADERSHIP DEVELOPMENT – THE DELTA LEADERSHIP INSTITUTE (DLI)

DRA's Delta Leadership Institute (<http://deltaleadership.ua.edu/>) is designed to create a corps of leaders with a regional and national perspective. The first class of the Institute met in 2005. The program was operated by the DRA in cooperation with Delta State University at Cleveland, Mississippi. In April 2006, the DRA board chose the University of Alabama at Tuscaloosa to coordinate the Delta Leadership Institute. The University of Alabama is currently conducting the fourth class of DLI.

Many of the 240 counties and parishes that make up the Delta region are characterized by high poverty, high unemployment levels, low educational attainment, a loss of skilled labor and a general lack of hope. Unable to establish development priorities, these counties and parishes have failed to keep up with counties and parishes in other areas of their states. Delta communities often lack the civic infrastructure, organizations and knowledge base necessary for sustained economic growth. Even those who are considered local leaders too often do not understand how good governance, quality infrastructure, adequate schools and quality health care services can work together to sustain growth.

These areas often are marked by a lack of investment in leadership development and strategic planning. This results in a leadership void and a lack of direction. Communities never decide on their priorities. With no leadership, vision or plans for growth, these communities continue to struggle.

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The Delta Leadership Institute is designed to improve the decisions made by leaders across the Region. Each of the eight governors and the Federal Co-chairman nominate four people per year for the program, resulting in a class of 36 Delta leaders. This year the Delta Leadership Network (DLN) alumni organization was formed through a committee of DLI alumni. They have begun plans to broaden the DLN in the years to come. These will be leaders who stay in touch with each other, sharing best practices and solutions to common problems through the DRA Annual Conference and through the newly designed website to accommodate the needs of the alumni.

It is expected that many of the graduates of the DLI will go back to their communities and help lead local leadership programs, multiplying the number of people in the Region who receive leadership training.

CONTACT INFORMATION

The Authority is pleased to have complied with this directive. Should there be any questions or requirements for additional information, the DRA staff will be glad to provide upon request to the Director of Finance and Administration at 236 Sharkey Avenue, Suite 400, Clarksdale, Mississippi 38614, or by email request to fcohen@dra.gov.

SECTION 3 - FINANCIAL SECTION



DELTA REGIONAL AUTHORITY

236 SHARKEY AVENUE / SUITE 400 / CLARKSDALE, MS 38614 / (662) 624-8600 / FAX: (662) 624-8537 / www.dra.gov

Message from the Chief Operating Officer

The Chief Operating Officer recognizes Delta Regional Authority's (DRA) responsibility and accountability for all public funds entrusted to the agency. The DRA maintains a commitment to compliance over the entire organization. This is evident in the latest audit completed by the Office of Inspector General of the United States Department of Agriculture.

In the Fiscal Year 2008 Performance and Accountability Report, BKD Inc. identified five areas requiring response by the DRA. Three of the five areas have been addressed and corrected per our discussion with the BKD staff. The fourth issue required a process be implemented to assure compliance in the future. The process is currently being developed and inputted into the daily operations of DRA. The final area of concern was the DRA financial statement preparation, of which our staff is engaged in identifying plausible solutions, however at this time budget restraints prohibit an immediate response. DRA will work to identify available funding and procure services prior to the next audit.

DRA will continue to maintain transparency for all its appropriated dollars and be held publicly accountable for its actions.



William Blair Jernigan
Chief Operating Officer

April 30th, 2009

Independent Accountants' Report on Financial Statements and Supplementary Information

To the Federal and State Co-chairs
and Members of the Board
Delta Regional Authority
Clarksdale, Mississippi

We have audited the accompanying principal statements (hereafter referred to as financial statements) of Delta Regional Authority as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Delta Regional Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Delta Regional Authority as of September 30, 2007, were audited by other accountants whose report dated November 15, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of Delta Regional Authority as of September 30, 2008, and its net cost, changes in net position and budgetary resources for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, we have also issued our report dated April 27, 2009, on our consideration of Delta Regional Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed

in accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04 and should be considered in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the principal financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, to such information as of and for the year ended September 30, 2008. However, we did not audit the information as of and for the year ended September 30, 2008, and express no opinion on it. Other accountants have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, to such information as of and for the year ended September 30, 2007. However, as stated in their report referred to above, the other accountants did not audit the information as of and for the year ended September 30, 2007, and expressed no opinion on it.

Our audit was conducted for the purpose of forming an opinion on Delta Regional Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended September 30, 2008, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary information for the years ended September 30, 2007 and 2006, was audited by other accountants whose report dated November 15, 2007, expressed an unqualified opinion on such information in relation to the basic financial statements for the year ended September 30, 2007, taken as a whole.

The information presented under Section 2, Performance Report has not been subjected to the procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

BKD, LLP

April 27, 2009

DELTA REGIONAL AUTHORITY
BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Intragovernmental		
Fund balance with Treasury	\$ 27,241,269	\$ 23,990,905
Cash	1,375,182	1,753,495
Receivables	<u>59,250</u>	<u>10,284</u>
TOTAL ASSETS	<u>\$ 28,675,701</u>	<u>\$ 25,754,684</u>
LIABILITIES		
Intragovernmental payable	\$ 464,438	\$ -
Accounts payable	218,252	137,916
Other	<u>1,177,535</u>	<u>1,350,153</u>
TOTAL LIABILITIES	1,860,225	1,488,069
NET POSITION		
Unexpended appropriations/state funds	26,848,791	24,308,189
Cumulative results of operations	<u>(33,315)</u>	<u>(41,574)</u>
TOTAL NET POSITION	<u>26,815,476</u>	<u>24,266,615</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,675,701</u>	<u>\$ 25,754,684</u>

See Notes to Financial Statements.

DELTA REGIONAL AUTHORITY
STATEMENTS OF NET COST
YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
PROGRAM COSTS		
Economic Development		
Intragovernmental gross costs	\$ 82,950	\$ 87,170
Less intragovernmental earned revenue	<u> -</u>	<u> -</u>
Intragovernmental net costs	82,950	87,170
Gross costs with the public	11,148,556	10,300,712
Less earned revenues from the public	<u> 393,713</u>	<u> -</u>
Net costs with the public	<u>10,754,843</u>	<u>10,300,712</u>
TOTAL NET PROGRAM COSTS	<u>10,837,793</u>	<u>10,387,882</u>
NET COST OF OPERATIONS	<u>\$ 10,837,793</u>	<u>\$ 10,387,882</u>

See Notes to Financial Statements.

DELTA REGIONAL AUTHORITY
STATEMENTS OF CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations/ Funds</u>
NET POSITION, BEGINNING BALANCE	\$ (41,574)	\$ 24,308,189
BUDGETARY FINANCING SOURCES		
Appropriations received	-	11,685,000
Appropriations transferred in (out)	-	(732,750)
Appropriations used	8,214,524	(8,214,524)
OTHER FINANCING SOURCES		
Cost of operations absorbed by member states and others	-	797,987
Cost of operations absorbed by RCAP	-	1,614,804
Imputed financing from costs absorbed by others	21,613	-
Disbursements of RCAP funds	1,635,092	(1,635,092)
Disbursements of funds provided by member states and others	<u>974,823</u>	<u>(974,823)</u>
TOTAL FINANCING SOURCES	10,846,052	2,540,602
NET COST OF OPERATIONS	<u>10,837,793</u>	<u>-</u>
NET CHANGE	<u>8,259</u>	<u>2,540,602</u>
NET POSITION, ENDING BALANCE	<u>\$ (33,315)</u>	<u>\$ 26,848,791</u>

See Notes to Financial Statements.

2007

<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations/ Funds</u>
\$ (37,550)	\$ 20,165,572
-	11,887,821
-	(745,922)
6,897,054	(6,897,054)
-	1,239,693
-	2,120,683
24,200	-
2,404,142	(2,404,142)
<u>1,058,462</u>	<u>(1,058,462)</u>
10,383,858	4,142,617
<u>10,387,882</u>	<u>-</u>
<u>(4,024)</u>	<u>4,142,617</u>
<u>\$ (41,574)</u>	<u>\$ 24,308,189</u>

DELTA REGIONAL AUTHORITY
STATEMENTS OF RESOURCES (BUDGETARY AND NON-BUDGETARY)
YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008		
	Federal	State and Other	Rural Community Assistance Program
	Budgetary	Non-Budgetary	Non-Budgetary
BUDGETARY RESOURCES			
Unobligated balance, beginning of year	\$ 13,894,826	\$ 381,246	\$ 32,697
Recoveries of prior year obligations	998,014	-	-
Budget authority			
Appropriations received	11,685,000	-	-
Spending authority from offsetting collections			
Earned			
Collected	396,023	797,987	1,635,092
Change in unfilled customer orders			
Advance received	464,438	-	-
Subtotal	<u>12,545,461</u>	<u>797,987</u>	<u>1,635,092</u>
Nonexpenditure transfers, net	<u>(732,750)</u>	<u>-</u>	<u>-</u>
TOTAL RESOURCES (BUDGETARY AND NON-BUDGETARY)	<u>\$ 26,705,551</u>	<u>\$ 1,179,233</u>	<u>\$ 1,667,789</u>
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	\$ 12,016,548	\$ 995,111	\$ 1,635,092
Unobligated balances/unexpended funds			
Apportioned	13,688,678	-	-
Unexpended funds	-	184,122	32,697
Unobligated balance not available	<u>1,000,325</u>	<u>-</u>	<u>-</u>
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$ 26,705,551</u>	<u>\$ 1,179,233</u>	<u>\$ 1,667,789</u>
CHANGE IN OBLIGATED BALANCES			
Obligated balance, net, beginning of year	\$ 10,096,078	\$ 587,494	\$ 834,810
Obligations incurred	12,016,548	995,111	1,635,092
Gross outlays	(8,562,346)	(1,318,710)	(1,482,133)
Recoveries of prior year unpaid obligations, actual	(998,014)	-	-
Obligated balance, net, end of year			
Undelivered orders	12,407,404	-	-
Accounts payable	<u>144,862</u>	<u>263,895</u>	<u>987,769</u>
Total, unpaid obligated balance, net, end of year	<u>\$ 12,552,266</u>	<u>\$ 263,895</u>	<u>\$ 987,769</u>
NET OUTLAYS			
Gross outlays	\$ 8,562,346	\$ 1,318,710	\$ 1,482,133
Offsetting collections	<u>(860,461)</u>	<u>(797,987)</u>	<u>(1,635,092)</u>
NET OUTLAYS	<u>\$ 7,701,885</u>	<u>\$ 520,723</u>	<u>\$ (152,959)</u>

See Notes to Financial Statements.

2007

<u>Eliminations</u>	<u>Combined</u>	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community</u>	<u>Combined</u>
<u>Non-Budgetary</u>	<u>Budgetary and</u>	<u>Budgetary</u>	<u>Non-Budgetary</u>	<u>Assistance Program</u>	<u>Budgetary and</u>
	<u>Non-Budgetary</u>			<u>Non-Budgetary</u>	<u>Non-Budgetary</u>
\$ -	\$ 14,308,769	\$ 14,915,728	\$ 200,015	\$ 316,156	\$ 15,431,899
-	998,014	227,096	-	-	227,096
-	11,685,000	11,887,821	-	-	11,887,821
(20,288)	2,808,814	599	1,239,693	2,120,683	3,360,975
-	464,438	-	-	-	-
(20,288)	14,958,252	11,888,420	1,239,693	2,120,683	15,248,796
-	(732,750)	(745,922)	-	-	(745,922)
<u>\$ (20,288)</u>	<u>\$ 29,532,285</u>	<u>\$ 26,285,322</u>	<u>\$ 1,439,708</u>	<u>\$ 2,436,839</u>	<u>\$ 30,161,869</u>
\$ (20,288)	\$ 14,626,463	\$ 12,390,496	\$ 1,058,462	\$ 2,404,142	\$ 15,853,100
-	13,688,678	13,667,131	-	-	13,667,131
-	216,819	-	381,246	32,697	413,943
-	1,000,325	227,695	-	-	227,695
<u>\$ (20,288)</u>	<u>\$ 29,532,285</u>	<u>\$ 26,285,322</u>	<u>\$ 1,439,708</u>	<u>\$ 2,436,839</u>	<u>\$ 30,161,869</u>
\$ -	\$ 11,518,382	\$ 4,969,871	\$ 22,676	\$ -	\$ 4,992,547
(20,288)	14,626,463	12,390,496	1,058,462	2,404,142	15,853,100
-	(11,363,189)	(7,037,192)	(493,644)	(1,569,332)	(9,100,168)
-	(998,014)	(227,096)	-	-	(227,096)
-	12,407,404	9,999,417	-	-	9,999,417
(20,288)	1,376,238	96,662	587,494	834,810	1,518,966
<u>\$ (20,288)</u>	<u>\$ 13,783,642</u>	<u>\$ 10,096,079</u>	<u>\$ 587,494</u>	<u>\$ 834,810</u>	<u>\$ 11,518,383</u>
\$ (20,288)	\$ 11,342,901	\$ 7,037,192	\$ 493,644	\$ 1,569,332	\$ 9,100,168
-	(3,293,540)	(599)	(1,239,693)	(2,120,683)	(3,360,975)
<u>\$ (20,288)</u>	<u>\$ 8,049,361</u>	<u>\$ 7,036,593</u>	<u>\$ (746,049)</u>	<u>\$ (551,351)</u>	<u>\$ 5,739,193</u>

DELTA REGIONAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Delta Regional Authority (DRA or the Authority) is a federal-state partnership serving a 240 county/parish area in an eight-state region. Led by a federal co-chairman and the governors of each participating state, DRA is designed to remedy severe and chronic economic distress by stimulating economic development and fostering partnerships that will have a positive impact on the region's economy. DRA helps economically distressed communities take advantage of other federal and state programs focused on basic infrastructure development and transportation improvements, business development and job training services.

Basis of Presentation

These principal statements have been prepared from the accounting records of DRA in accordance with accounting principles generally accepted in the United States of America (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, *Financial Reporting Requirements*, as amended. GAAP, for federal entities, are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards setting body for the federal government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements, which include a balance sheet, statement of net cost, statement of changes in net position and statement of budgetary resources. The balance sheets present, as of September 30, 2008 and 2007, amounts of future economic benefits owned or managed by DRA (assets), amounts owed by DRA (liabilities), and amounts which comprise the difference (net position). The statements of net cost report the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within DRA and other reporting entities. The statements of budgetary resources report an agency's budgetary activity.

Management of Financial Records

Federal appropriations are managed for DRA by the General Services Administration (GSA). Using the government-wide standard general ledger system (SGL), accounting transactions are initiated at DRA and ultimately entered into the accounting records by GSA. These transactions are designated in the financial statements as "federal."

As described in Note 3, DRA invoices and receives funds from the various member states to be used to pay administrative costs. This process meets the requirement of originating legislation which stipulates that “IN GENERAL.- Administrative expenses of the Authority (except for the expenses of the federal co-chairperson, including expenses of the alternate and staff of the federal co-chairperson, which shall be paid solely by the federal government) shall be paid (A) by the federal government, in an amount equal to 50% of the administrative expenses; and (B) by the states in the region participating in the Authority, in an amount equal to 50% of the administrative expenses. The funds received from the states are maintained in a local bank account, and transactions are initiated and managed by the DRA staff. These transactions are designated in the financial statements as ‘State’.”

Basis of Accounting

Transactions are recorded on both the accrual and budgetary basis. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints on, and control of, the use of federal funds.

The accompanying balance sheets, statements of net cost, and statements of changes in net position have been prepared on an accrual basis. The statements of budgetary and non-budgetary resources have been prepared in accordance with budgetary accounting rules.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Revenues and Other Financing Sources

The DRA is an appropriated fund and receives appropriations. Other financing sources for DRA consist of imputed financing sources which are costs financed by other federal entities on behalf of DRA, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*.

Cash

At September 30, 2008 and 2007, cash consisted of deposit accounts with several financial institutions. At September 30, 2008, the Authority’s cash accounts exceeded federally insured limits by approximately \$1,027,000.

Effective October 3, 2008, the FDIC’s insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2009. The financial

institutions holding the Authority's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. As a result of this program, the Authority's cash balances held with financial institutions became fully insured in October 2008.

General Property and Equipment

Substantially all of the facilities and equipment used by DRA are under an operating lease. Any potentially capitalizable equipment purchased by DRA has been immaterial and has been expensed as incurred.

Compensated Absences

The Authority's policies permit employees to accumulate annual and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as annual leave benefits are earned. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. The maximum accrual of annual leave is 240 hours, and there is no maximum accumulation of sick leave. Compensated absence liabilities for annual leave are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security, Medicare taxes and retirement computed using rates in effect at that date.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements and related note disclosures to conform to the 2008 financial statement and note disclosure presentation. These reclassifications had no effect on the change in net position of the Authority.

NOTE 2 – FUND BALANCE WITH TREASURY

All of the DRA balance with treasury is appropriated. A summary of DRA's fund balance with treasury follows:

	<u>2008</u>	<u>2007</u>
Fund balance with Treasury		
Appropriated fund	\$ <u>27,241,269</u>	\$ <u>23,990,905</u>
Status of fund balance with Treasury		
Unobligated balance		
Available	\$ 13,688,678	\$ 13,667,131
Unavailable	1,000,325	227,695
Obligated balance not yet disbursed	<u>12,552,266</u>	<u>10,096,079</u>
	<u>\$ 27,241,269</u>	<u>\$ 23,990,905</u>

NOTE 3 – FUNDS RECEIVED FROM MEMBER STATES

Funds received from the various member states are maintained in a bank account located in a member state of the state co-chair. These funds are included with cash in the accompanying balance sheets. The states are required, by originating legislation, to pay 50% of the administrative costs of DRA after consideration of costs associated with the federal co-chairman and his staff. Amounts billed to the states are calculated at the beginning of each fiscal year and are based on federally-appropriated monies allocated to the respective states:

	<u>2008</u>	<u>2007</u>
Balance of state funds on hand, beginning of year	\$ 254,557	\$ 12,372
Current year billed to and received from states	<u>705,952</u>	<u>640,704</u>
Total received from states	<u>\$ 960,509</u>	<u>\$ 653,076</u>
Balance of state funds on hand, end of year	<u>\$ 222,504</u>	<u>\$ 254,557</u>
Status of state funds		
Unobligated balance	\$ 45,110	\$ 167,063
Obligated balance not yet disbursed	<u>177,394</u>	<u>87,494</u>
	<u>\$ 222,504</u>	<u>\$ 254,557</u>

NOTE 4 – COMPLIANCE WITH FEDERAL LIMITS AND STATE PARTICIPATION IN ADMINISTRATIVE EXPENDITURES

Member states in the DRA region are required to match 50% of administrative expenditures after costs associated with the federal co-chairman. For the years ended September 30, 2008 and 2007, this 50% budgetary match requirement of state funds totaled \$705,952 and \$640,704, respectively. State funds disbursed or accrued for administrative expenditures totaled \$915,399 and \$548,652 at September 30, 2008 and 2007, respectively. For the years ended September 30, 2008 and 2007, this 50% cumulative match requirement of state funds was overpaid by \$195,283 and underpaid by \$2,262, respectively. At September 30, 2008 and 2007, there were excess state funds to carry forward to the next fiscal year of \$31,347 and \$176,873, respectively.

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are liabilities for which congressional action is needed before budgetary resources can be provided. Liabilities of DRA are classified as liabilities covered or not covered by budgetary resources as follows:

	<u>2008</u>	<u>2007</u>
Liabilities not covered by budgetary resources		
Leave liability (federal)	\$ 33,312	\$ 41,572
Leave liability (state)	67,747	25,700
Accounts payable (state)	99,057	61,794
Deferred revenue (state)	63,040	-
Grants payable (state)	-	500,000
Grants payable (RCAP)	<u>987,769</u>	<u>762,342</u>
Total liabilities not covered by budgetary resources	<u>1,250,925</u>	<u>1,391,408</u>
Liabilities covered by budgetary resources		
Accounts payable	119,195	76,122
Payroll and leave liability	25,667	20,539
Intragovernmental payable	<u>464,438</u>	<u>-</u>
Total liabilities covered by budgetary resources	<u>609,300</u>	<u>96,661</u>
Total liabilities	<u>\$ 1,860,225</u>	<u>\$ 1,488,069</u>

NOTE 6 – OTHER LIABILITIES

A summary of other liabilities at September 30, follows:

	<u>2008</u>	<u>2007</u>
Federal		
Accrued funded payroll and leave – current	\$ 25,667	\$ 20,539
Accrued unfunded leave – noncurrent	<u>33,312</u>	<u>41,572</u>
Total federal	<u>58,979</u>	<u>62,111</u>
State and Other		
Accrued leave	67,747	25,700
Deferred revenue	63,040	-
Inter-authority payable to RCAP	34,051	-
Private foundation grant payable	<u>-</u>	<u>500,000</u>
Total state and other	<u>164,838</u>	<u>525,700</u>
Rural Community Assistance Program		
Grants payable	<u>987,769</u>	<u>834,810</u>
Elimination	1,211,586	1,422,621
	<u>(34,051)</u>	<u>(72,468)</u>
	<u>\$ 1,177,535</u>	<u>\$ 1,350,153</u>

NOTE 7 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations for DRA are the amount of direct obligations incurred against amounts apportioned under category A on the latest SF 132. As of September 30, 2008 and 2007, these obligations were \$12,016,548 and \$12,390,496, respectively.

NOTE 8 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEETS AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN THE FUTURE PERIODS

Liabilities not covered by budgetary resources at September 30, 2008 and 2007, total \$1,250,925 and \$1,391,408, respectively, and the increase (decrease) in components requiring or generating resources in future periods total \$(8,258) and \$4,021, respectively. The changes are the net increase (decrease) of future funded expenses for annual leave and represent the difference between appropriations of annual funds for the prior and current annual funds. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

NOTE 9 – OPERATING LEASES

DRA leases its primary operating facilities, including substantially all furniture and fixtures used, under a 15-year operating lease arrangement with Coahoma County, Mississippi. DRA also leases space for the Washington D.C. office from the Environmental Council of States under a one-year operating lease arrangement and space for the Little Rock, Arkansas office from the University of Arkansas under an open-end lease.

Future minimum lease payments at September 30, 2008, were:

2009	\$	84,824
2010		84,824
2011		84,824
2012		90,479
2013		96,135
After 5 years		<u>336,473</u>
Total	\$	<u>777,559</u>

The lease with Coahoma County, which represents the entire amount of the future minimum lease payments, may be terminated by DRA should DRA fail to receive funding from the United States, the existence of DRA be terminated, or should the governing body of DRA

choose to move DRA's office outside Coahoma County, Mississippi. Rental expense was \$103,960 and \$95,113 for the years ended September 30, 2008 and 2007, respectively.

NOTE 10 – PENSION PLANS

Plan Description

The Authority's state employees participate in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling 601.359.3589 or 1.800.444.PERS.

Additionally, the Authority's federal employees participate in the Federal Employees' Retirement System (FERS), a cost-sharing, multiple-employer defined benefit pension plan. FERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to the plan members and beneficiaries.

Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary, and the Authority is required to contribute at an actuarially determined rate which was 11.85% and 11.30% of annual covered payroll for the years ended June 30, 2008 and 2007, respectively. The contribution requirement of PERS members is established and may be amended only by the Mississippi State Legislature. The Authority's contributions to PERS for the years ended September 30, 2008, 2007 and 2006 were \$78,612, \$73,989 and \$68,827, respectively, which equaled the required contributions for each year.

FERS members are required to contribute 0.8% of their annual covered salary, and the Authority is required to contribute 11.2% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006, respectively. The Authority's contributions to FERS for the years ended September 30, 2008, 2007 and 2006 were \$56,304, \$41,618 and \$59,746, respectively, which equaled the required contributions for each year.

NOTE 11 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to errors and

omissions and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 12 – RECONCILIATION OF NET COST OF EXPENDITURES (PROPRIETARY) TO BUDGET

	<u>2008</u>	<u>2007</u>
RESOURCES USED TO FINANCE ACTIVITIES		
BUDGETARY RESOURCES OBLIGATED		
Obligations incurred	\$ 12,016,548	\$ 12,390,496
Less spending authority from offsetting collections and recoveries	<u>1,858,475</u>	<u>227,695</u>
Net obligations	10,158,073	12,162,801
OTHER RESOURCES		
Imputed financing from costs absorbed by others	21,613	24,200
Cost of operations absorbed by member states and others	974,823	1,058,462
Cost of operations absorbed by RCAP	<u>1,635,092</u>	<u>2,404,142</u>
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	12,789,601	15,649,605
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	<u>1,943,550</u>	<u>5,265,744</u>
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	10,846,051	10,383,861
COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS		
Increase (decrease) in annual leave liability	<u>(8,258)</u>	<u>4,021</u>
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	<u>\$ 10,837,793</u>	<u>\$ 10,387,882</u>

SUPPLEMENTARY INFORMATION

DELTA REGIONAL AUTHORITY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008

	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community Assistance Program</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS					
Intragovernmental					
Fund balance with Treasury	\$ 27,241,269	\$ -	\$ -	\$ -	\$ 27,241,269
Cash	-	448,017	927,165	-	1,375,182
Receivables	-	-	93,301	(34,051)	59,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 27,241,269</u>	<u>\$ 448,017</u>	<u>\$ 1,020,466</u>	<u>\$ (34,051)</u>	<u>\$ 28,675,701</u>
LIABILITIES					
Intragovernmental payable	\$ 464,438	\$ -	\$ -	\$ -	\$ 464,438
Accounts payable	119,195	99,057	-	-	218,252
Other	58,979	164,838	987,769	(34,051)	1,177,535
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	642,612	263,895	987,769	(34,051)	1,860,225
NET POSITION					
Unexpended appropriations/state funds	26,631,972	184,122	32,697	-	26,848,791
Cumulative results of operations	(33,315)	-	-	-	(33,315)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL NET POSITION	<u>26,598,657</u>	<u>184,122</u>	<u>32,697</u>	<u>-</u>	<u>26,815,476</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,241,269</u>	<u>\$ 448,017</u>	<u>\$ 1,020,466</u>	<u>\$ (34,051)</u>	<u>\$ 28,675,701</u>

DELTA REGIONAL AUTHORITY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2007

	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community Assistance Program</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS					
Intragovernmental					
Fund balance with Treasury	\$ 23,990,905	\$ -	\$ -	\$ -	\$ 23,990,905
Cash	-	896,272	857,223	-	1,753,495
Receivables	-	72,468	10,284	(72,468)	10,284
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 23,990,905</u>	<u>\$ 968,740</u>	<u>\$ 867,507</u>	<u>\$ (72,468)</u>	<u>\$ 25,754,684</u>
LIABILITIES					
Intragovernmental payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	76,122	61,794	-	-	137,916
Other	62,111	525,700	834,810	(72,468)	1,350,153
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	138,233	587,494	834,810	(72,468)	1,488,069
NET POSITION					
Unexpended appropriations/state funds	23,894,246	381,246	32,697	-	24,308,189
Cumulative results of operations	(41,574)	-	-	-	(41,574)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL NET POSITION	<u>23,852,672</u>	<u>381,246</u>	<u>32,697</u>	<u>-</u>	<u>24,266,615</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,990,905</u>	<u>\$ 968,740</u>	<u>\$ 867,507</u>	<u>\$ (72,468)</u>	<u>\$ 25,754,684</u>

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF NET COST
YEAR ENDED SEPTEMBER 30, 2008

	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community Assistance Program</u>	<u>Eliminations</u>	<u>Combined</u>
PROGRAM COSTS					
Economic Development					
Intragovernmental gross costs	\$ 82,950	\$ -	\$ -	\$ -	\$ 82,950
Less intragovernmental earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intragovernmental net costs	82,950	-	-	-	82,950
Gross costs with the public	8,538,641	995,111	1,635,092	(20,288)	11,148,556
Less earned revenues from the public	<u>393,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,713</u>
Net costs with the public	<u>8,144,928</u>	<u>995,111</u>	<u>1,635,092</u>	<u>(20,288)</u>	<u>10,754,843</u>
TOTAL NET PROGRAM COSTS	<u>8,227,878</u>	<u>995,111</u>	<u>1,635,092</u>	<u>(20,288)</u>	<u>10,837,793</u>
NET COST OF OPERATIONS	<u>\$ 8,227,878</u>	<u>\$ 995,111</u>	<u>\$ 1,635,092</u>	<u>\$ (20,288)</u>	<u>\$ 10,837,793</u>

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF NET COST
YEAR ENDED SEPTEMBER 30, 2007

	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community Assistance Program</u>	<u>Combined</u>
PROGRAM COSTS				
Economic Development				
Intragovernmental gross costs	\$ 87,170	\$ -	\$ -	\$ 87,170
Less intragovernmental earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intragovernmental net costs	87,170	-	-	87,170
Gross costs with the public	6,838,108	1,058,462	2,404,142	10,300,712
Less earned revenues from the public	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net costs with the public	<u>6,838,108</u>	<u>1,058,462</u>	<u>2,404,142</u>	<u>10,300,712</u>
TOTAL NET PROGRAM COSTS	<u>6,925,278</u>	<u>1,058,462</u>	<u>2,404,142</u>	<u>10,387,882</u>
NET COST OF OPERATIONS	<u>\$ 6,925,278</u>	<u>\$ 1,058,462</u>	<u>\$ 2,404,142</u>	<u>\$ 10,387,882</u>

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2008

	Federal		State and Other		Rural Community Assistance Program		Eliminations		Combined	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended State Funds	Cumulative Results of Operations	Unexpended RCAP Funds	Cumulative Results of Operations	Unexpended Funds	Cumulative Results of Operations	Unexpended Appropriations/Funds
NET POSITION, BEGINNING BALANCE	\$ (41,574)	\$ 23,894,246	\$ -	\$ 381,246	\$ -	\$ 32,697	\$ -	\$ -	\$ (41,574)	\$ 24,308,189
BUDGETARY FINANCING SOURCES										
Appropriations received	-	11,685,000	-	-	-	-	-	-	-	11,685,000
Appropriations transferred in (out)	-	(732,750)	-	-	-	-	-	-	-	(732,750)
Appropriations used	8,214,524	(8,214,524)	-	-	-	-	-	-	8,214,524	(8,214,524)
OTHER FINANCING SOURCES										
Cost of operations absorbed by member states and others	-	-	-	797,987	-	-	-	-	-	797,987
Cost of operations absorbed by RCAP	-	-	-	-	-	1,635,092	-	(20,288)	-	1,614,804
Imputed financing from costs absorbed by others	21,613	-	-	-	-	-	-	-	21,613	-
Disbursements of RCAP funds	-	-	-	-	1,635,092	(1,635,092)	-	-	1,635,092	(1,635,092)
Disbursements of funds provided by member states and others	-	-	995,111	(995,111)	-	-	(20,288)	20,288	974,823	(974,823)
TOTAL FINANCING SOURCES	8,236,137	2,737,726	995,111	(197,124)	1,635,092	-	(20,288)	-	10,846,052	2,540,602
NET COST OF OPERATIONS	8,227,878	-	995,111	-	1,635,092	-	(20,288)	-	10,837,793	-
NET CHANGE	8,259	2,737,726	-	(197,124)	-	-	-	-	8,259	2,540,602
NET POSITION, ENDING BALANCE	\$ (33,315)	\$ 26,631,972	\$ -	\$ 184,122	\$ -	\$ 32,697	\$ -	\$ -	\$ (33,315)	\$ 26,848,791

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2007

	Federal		State and Other		Rural Community Assistance Program		Combined	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended State Funds	Cumulative Results of Operations	Unexpended RCAP Funds	Cumulative Results of Operations	Unexpended Appropriations/Funds
NET POSITION, BEGINNING BALANCE	\$ (37,550)	\$ 19,649,401	\$ -	\$ 200,015	\$ -	\$ 316,156	\$ (37,550)	\$ 20,165,572
BUDGETARY FINANCING SOURCES								
Appropriations received	-	11,887,821	-	-	-	-	-	11,887,821
Appropriations transferred in (out)	-	(745,922)	-	-	-	-	-	(745,922)
Appropriations used	6,897,054	(6,897,054)	-	-	-	-	6,897,054	(6,897,054)
OTHER FINANCING SOURCES								
Cost of operations absorbed by member states and others	-	-	-	1,239,693	-	-	-	1,239,693
Cost of operations absorbed by others	-	-	-	-	-	2,120,683	-	2,120,683
Imputed financing from costs absorbed by others	24,200	-	-	-	-	-	24,200	-
Disbursements of RCAP funds	-	-	-	-	2,404,142	(2,404,142)	2,404,142	(2,404,142)
Disbursements of funds provided by member states	-	-	1,058,462	(1,058,462)	-	-	1,058,462	(1,058,462)
TOTAL FINANCING SOURCES	6,921,254	4,244,845	1,058,462	181,231	2,404,142	(283,459)	10,383,858	4,142,617
NET COST OF OPERATIONS	6,925,278	-	1,058,462	-	2,404,142	-	10,387,882	-
NET CHANGE	(4,024)	4,244,845	-	181,231	-	(283,459)	(4,024)	4,142,617
NET POSITION, ENDING BALANCE	\$ (41,574)	\$ 23,894,246	\$ -	\$ 381,246	\$ -	\$ 32,697	\$ (41,574)	\$ 24,308,189

DELTA REGIONAL AUTHORITY
COMBINING RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET
YEAR ENDED SEPTEMBER 30, 2008

	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community Assistance Program</u>	<u>Eliminations</u>	<u>Combined</u>
RESOURCES USED TO FINANCE ACTIVITIES					
BUDGETARY RESOURCES OBLIGATED					
Obligations incurred	\$ 12,016,548	\$ -	\$ -	\$ -	\$ 12,016,548
Less spending authority from offsetting collections and recoveries	<u>1,858,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,858,475</u>
Net obligations	10,158,073	-	-	-	10,158,073
OTHER RESOURCES					
Imputed financing from costs absorbed by others	21,613	-	-	-	21,613
Cost of operations absorbed by member states	-	995,111	-	(20,288)	974,823
Cost of operations absorbed by others	<u>-</u>	<u>-</u>	<u>1,635,092</u>	<u>-</u>	<u>1,635,092</u>
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	10,179,686	995,111	1,635,092	(20,288)	12,789,601
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS					
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	<u>1,943,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,943,550</u>
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	8,236,136	995,111	1,635,092	(20,288)	10,846,051
COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS					
Increase (decrease) in annual leave liability	<u>(8,258)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,258)</u>
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	<u>\$ 8,227,878</u>	<u>\$ 995,111</u>	<u>\$ 1,635,092</u>	<u>\$ (20,288)</u>	<u>\$ 10,837,793</u>

DELTA REGIONAL AUTHORITY
COMBINING RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET
YEAR ENDED SEPTEMBER 30, 2007

	<u>Federal</u>	<u>State and Other</u>	<u>Rural Community Assistance Program</u>	<u>Combined</u>
RESOURCES USED TO FINANCE ACTIVITIES				
BUDGETARY RESOURCES OBLIGATED				
Obligations incurred	\$ 12,390,496	\$ -	\$ -	\$ 12,390,496
Less spending authority from offsetting collections and recoveries	<u>227,695</u>	<u>-</u>	<u>-</u>	<u>227,695</u>
Net obligations	12,162,801	-	-	12,162,801
OTHER RESOURCES				
Imputed financing from costs absorbed by others	24,200	-	-	24,200
Cost of operations absorbed by member states	-	1,058,462	-	1,058,462
Cost of operations absorbed by others	<u>-</u>	<u>-</u>	<u>2,404,142</u>	<u>2,404,142</u>
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	12,187,001	1,058,462	2,404,142	15,649,605
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS				
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	<u>5,265,744</u>	<u>-</u>	<u>-</u>	<u>5,265,744</u>
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	6,921,257	1,058,462	2,404,142	10,383,861
COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS				
Increase (decrease) in annual leave liability	<u>4,021</u>	<u>-</u>	<u>-</u>	<u>4,021</u>
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	<u>\$ 6,925,278</u>	<u>\$ 1,058,462</u>	<u>\$ 2,404,142</u>	<u>\$ 10,387,882</u>

DELTA REGIONAL AUTHORITY
SCHEDULE OF EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2008

<u>Description</u>	<u>Paid From</u>			<u>Total All Funds</u>
	<u>Federal Funds</u>	<u>State and Other Funds</u>	<u>Rural Community Assistance Program</u>	
Grants, subsidies, and contributions	\$ 6,861,972	\$ 20,288	\$ 1,301,358	\$ 8,183,618
Consulting and other services	512,034	-	-	512,034
Employee benefits	-	132,439	13,324	145,763
Personnel benefits	205,223	-	-	205,223
Personnel services	793,625	534,334	70,551	1,398,510
Seminars and meetings	-	-	98,491	98,491
Continuing education	-	30,047	-	30,047
Travel and transportation of persons	98,328	43,243	76,606	218,177
Transportation of things	2,873	-	-	2,873
Communications	-	8,018	9,286	17,304
Rent, communications and utilities	77,602	-	-	77,602
Supplies and materials	4,391	2,681	-	7,072
Printing and reproduction	6,298	-	-	6,298
Office expense	-	152,964	65,476	218,440
Washington, D.C. office expense	-	10,106	-	10,106
State coordinators' office	-	60,991	-	60,991
	<u>\$ 8,562,346</u>	<u>\$ 995,111</u>	<u>\$ 1,635,092</u>	<u>\$ 11,192,549</u>

NOTE TO SCHEDULE

1. The federal funds column of the schedule of expenditures has been prepared on the cash basis. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

DELTA REGIONAL AUTHORITY
SCHEDULES OF GRANTS MADE
YEARS ENDED SEPTEMBER 30, 2008, 2007 AND 2006

Funding Priorities - Public Law 100-460: Sec. 382C.(b) (2) (A)-(D).
(7 U.S.C. 2009 aa, as amended)

	2008			2007			2006		
	DRA Obligated	Total Project Funds	DRA%	DRA Obligated	Total Project Funds	DRA%	DRA Obligated	Total Project Funds	DRA%
A. Basic Public Infrastructure	\$ 5,755,092	\$ 23,841,948	24.1%	\$ 7,000,954	\$ 49,198,753	14.2%	\$ 4,411,942	\$ 43,471,504	10.1%
B. Transportation Infrastructure	1,935,223	6,842,796	28.3%	859,181	3,784,152	22.7%	2,034,379	20,116,994	10.1%
C. Business Development	106,225	306,825	34.6%	124,049	285,757	43.4%	60,000	400,000	15.0%
D. Work Development	167,578	436,578	38.4%	92,155	447,986	20.6%	233,675	334,038	70.0%
O. Other	-	-	-	-	-	-	754,020	1,565,361	48.2%
	<u>\$ 7,964,118</u>	<u>\$ 31,428,147</u>	25.3%	<u>\$ 8,076,339</u>	<u>\$ 53,716,648</u>	15.0%	<u>\$ 7,494,016</u>	<u>\$ 65,887,897</u>	11.4%

	2008			2007			2006		
	DRA Obligated	State Allocation	State %	DRA Obligated	State Allocation	State %	DRA Obligated	State Allocation	State %
State Allocations:									
Alabama	\$ 834,592	\$ 815,508	10.5%	\$ 853,800	\$ 816,811	10.2%	\$ 834,222	\$ 834,222	10.6%
Arkansas	1,099,817	1,162,119	14.9%	992,750	1,146,260	14.3%	1,195,195	1,198,361	15.3%
Illinois	662,843	662,843	8.5%	446,629	666,113	8.3%	675,696	675,696	8.6%
Kentucky	830,000	682,316	8.8%	657,500	705,391	8.8%	699,240	699,240	8.9%
Louisiana	1,815,976	1,602,976	20.6%	1,574,662	1,638,432	20.4%	1,511,126	1,360,026	17.3%
Mississippi	1,340,860	1,145,762	14.7%	1,396,343	1,123,815	14.0%	1,040,057	1,091,630	13.9%
Missouri	737,300	884,830	11.4%	978,891	882,540	11.0%	457,847	907,992	11.6%
Tennessee	642,730	832,644	10.7%	1,175,764	1,036,443	12.9%	1,080,633	1,080,643	13.8%
	<u>\$ 7,964,118</u>	<u>\$ 7,788,998</u>	100.0%	<u>\$ 8,076,339</u>	<u>\$ 8,015,805</u>	100.0%	<u>\$ 7,494,016</u>	<u>\$ 7,847,810</u>	100.0%

SECTION 4 - OTHER ACCOMPANYING INFORMATION

**Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Federal and State Co-chairs
and Members of the Board
Delta Regional Authority
Clarksdale, Mississippi

We have audited the financial statements of the Delta Regional Authority (DRA or the Authority) as of and for the year ended September 30, 2008, and have issued our report thereon dated April 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DRA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DRA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DRA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a

misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 08-01 through 08-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-01 through 08-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to DRA. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04.

We also noted certain additional matters that we reported to the Authority's management in a separate letter dated April 27, 2009.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of DRA, the federal and state co-chairs, members of the Board, others within the entity, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

April 27, 2009

DELTA REGIONAL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2008

Reference Number	Finding
08-01	<p style="text-align:center">Design Deficiency – Financial Statement Preparation (Significant Deficiency, Material Weakness)</p> <p><i>Criteria or Specific Requirement</i> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – The Authority relies on its outside auditors in assisting in the preparation of external financial statements and related disclosures. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of the entity’s internal control structure. The Authority does not have procedures in place that otherwise prevent or detect material misstatements in the external financial statements.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and the errors would not be detected by management.</p> <p><i>Cause</i> – The management of DRA has not developed procedures or provided staffing to prepare external financial statements and, consequently, relies on its external auditors for this function.</p> <p><i>Recommendation</i> – Management of DRA should evaluate the costs and benefits of providing for preparation of external financial statements and related disclosures by its staff.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – DRA continues to recognize the need to assume more responsibilities in the financial statement preparation area. This will require additional staffing, but due to the existing budget restrictions in Fiscal Year 2008 and current appropriations level, the ability to add to our staff is critically limited. DRA will also explore the feasibility of acquiring an outside source to assist this staff in preparing these documents.</p>
08-02	<p style="text-align:center">Design Deficiency – Monitoring (Significant Deficiency, Material Weakness)</p> <p><i>Criteria or Specific Requirement</i> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p>

**Reference
Number**

Finding

Condition – There is no independent reconciliation and approval of bank reconciliations.

Effect – Misappropriation of funds could occur and not be timely detected by employees in the normal course of performing their duties.

Cause – The Director of Finance and Administration prepares monthly bank reconciliations which are not always reviewed and approved by someone independent of the financial recording and reporting processes.

Recommendation – The Authority should implement procedures to provide unopened bank statements are delivered to and reconciled by someone independent of the financial recording and reporting processes. After bank reconciliations are prepared, they should be reviewed and approved by someone independent of the financial recording and reporting processes.

Views of Responsible Officials and Planned Corrective Actions – As mentioned in Finding 08-01, DRA is limited to staffing due to administrative budget restrictions; however, DRA did restructure its budget in Fiscal Year 2009 to accommodate an additional employee to assist the Director of Finance and Administration. In our opinion, this helps provide the necessary element for risk management with checks and balances needed to prevent misappropriation of funds.

08-03

**Design Deficiency – Monitoring
(Significant Deficiency, Material Weakness)**

Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – The Authority does not have procedures in place to provide for review and approval of financial adjustments.

Effect – The financial statements might be materially misstated, and the errors would not be detected by management.

Reference Number	Finding
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Cause – The maintenance of the accounting records is the sole responsibility of the Director of Finance and Administration. There are no procedures in place such as the review of financial adjustments which would mitigate the risk of potential errors or misappropriations not being detected timely by employees in the normal course of performing their duties.

Recommendation – The Authority should implement procedures to ensure all adjusting journal entries are reviewed by someone without recording responsibility.

Views of Responsible Officials and Planned Corrective Actions – DRA will implement this process with the addition of an additional employee as listed in Finding 08-02 above. Additionally, DRA is in the process of formalizing a financial manual, which will outline all of the DRA’s financial procedures and responsibilities.

08-04

**Design Deficiency – Recording
(Significant Deficiency, Material Weakness)**

Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – Expenses and revenues are not always properly accrued. As a result, certain expenses and related revenues for the annual conference were not properly recorded in the current fiscal year.

Effect – Financial statements could potentially be materially misstated due to the omission of applicable revenues and expenses.

Cause – Certain revenues and payments are not recorded in the proper fiscal year, as such are recorded only when the deposit is made or the check is issued.

Recommendation – The Authority should implement procedures to ensure all revenues and expenses are accrued in the proper fiscal year.

Views of Responsible Officials and Planned Corrective Actions - USDA, as the funding agency for the annual conference project listed, did not reimburse DRA in an anticipated timely manner for our expenses and withheld such reimbursement for a protracted period of time, thereby creating this delayed transaction and journal entry. This transaction was an exception to DRA's day-to-day, normal operational processes and considered an unusual circumstance. DRA will restate our procedures to ensure that all future expenses and related revenues will be appropriately reflected, and offsetting entries will be accounted for in the correct fiscal year. This entry as of October 2008 was reconciled.

08-05

**Design Deficiency – Receipt of Funds
(Significant Deficiency)**

Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – Checks received through the mail are not restrictively endorsed, nor are timely comparisons performed of the list of checks received to deposits per the bank statement.

Effect – Misappropriation of funds could occur and not be timely detected by employees in the normal course of performing their duties.

Cause – Checks received in the mail are summarized by the executive secretary. The checks are then provided to either the finance administrator or administrative assistant for preparation of the deposit slip and taking the deposit to the bank. The Director of Finance and Administration records funds received in the general ledger from deposit slips. The list of checks received is not timely compared to deposits per the bank statement; nor is this comparison performed by an individual without bank deposit responsibility.

Recommendation – Checks received through the mail should be restrictively endorsed when received to reduce the risk of theft. A listing of the checks received should be provided to the individual responsible for recording deposits in the general ledger, who should not be responsible for preparation of the bank deposit or for taking the deposit to the bank. This listing should be used to record deposits in the general ledger. Separation of duties between the person initially receiving checks and making a list of checks from the person preparing the bank deposit and taking the deposit to the bank and the person responsible for recording the checks in the general ledger will allow routine comparison of checks received through the mail to deposits per the bank by someone without bank deposit responsibility.

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions – DRA does not regularly receive an extensive number of checks. In the course of a year, DRA averages fewer than 50 checks. However, DRA has revised its procedures and will require all checks received to have a restrictive endorsement placed on the check via manufactured stamp. This stamp is secured and accessible by a single individual. Such person is cleared to open all incoming mail. This individual receives and records each individual check and maintains a log, which is reconciled to the DRA bank statements. This log will be reconciled on a monthly basis.