DELTA REGIONAL AUTHORITY

PERFORMANCE AND ACCOUNTABILITY REPORT

SEPTEMBER 30, 2010

BKD LLP
CPAs & Advisors

DELTA REGIONAL AUTHORITY

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From the Office of the Federal Co-Chairman

As the Federal Co-Chairman of the Delta Regional Authority (DRA or the Authority), I am pleased to present the Delta Regional Authority's Performance and Accountability Report for Fiscal Year 2010. This report is an accurate and comprehensive account of our performance for Fiscal Year 2010, and additionally includes comparative financial statements for Fiscal Years 2009 and 2010.

DRA has fully complied with *The Accountability for Tax Dollars Act (ATDA) of 2002* over the past eight years and continues a long-term commitment to setting and maintaining high standards in financial integrity and compliance. The report by the auditors of **BKD, LLP** contains an unqualified opinion on the financial statements in this document. DRA continues to meet each new challenge and expectation presented by the President and Congress.

In Fiscal Year 2010, the DRA Federal Grant Program attracted $60,296,302.25 in additional project funding, a ratio of 5.89 to 1, and $31,165,000 in leveraged private investment, a ratio of 3.04 to 1.

Overall:

- DRA has contributed:
  - $86,170,823 to 602 projects in its eight-state region for total project costs of $517,443,490.
- DRA total project cost includes an additional leverage of:
  - $431,272,667 in other federal, state and local funds, which is a ratio of 6.00 to 1.
- In addition, private funds invested in these projects total:
  - $1,394,057,574, which is a ratio of 16.18 to 1, private dollars to DRA dollars.

- Total leveraged investment of:

    - $1,911,501,064 including federal, state, local and private funds produced a ratio of 22.18 to 1.

- Since the inception of the DRA Federal Grants Program, 360 projects have been completed with the following results:

    - 6,591 jobs created;
    - 6,033 jobs retained;
    - 16,522 families received improved water and sewer; and
    - 3,638 individuals trained for jobs.

DRA now has 192 projects which are active with projected outcomes including: 36,614 families who will receive improved water and sewer, 2,900 jobs which will be created, 3,863 jobs which will be retained and 257 individuals who will be trained for jobs already committed to the Authority.

Additionally evidenced in the report, numerous accomplishments in Fiscal Year 2010 have been witnessed in the following programs and initiatives:

- The newly developed health plan entitled "Growing a Healthy Workforce in the Delta";
- Delta Doctors Program (DDP);
- BF Smith Foundation – Adult Literacy/Workforce Training (BFS);
- Information Technology/iDelta (IT);
- Delta Development Highway System (DDHS);
- Multi-Modal Transportation (MMT);
- Delta Green Jobs Initiative (DGJI);
- Innovative Readiness Training Program (IRT);
- Local Development District (LDD);
- Entrepreneurship Training (SIU);
- Delta Leadership Institute (DLI); and
- Second year of progress on the DRA Regional Development Plan.

Thank you for allowing DRA to submit the Fiscal Year 2010 Performance Accountability Report. DRA will continue to grow as an organization and provide our 252 counties/parishes with a clearer direction to a better future.

Sincerely,

Christopher A. Masingill

SECTION I - MANAGEMENT'S DISCUSSION AND ANALYSIS

DELTA REGIONAL AUTHORITY

Listing of Officials
September 30, 2010

Federal Co-Chairman
Christopher A. Masingill

Alternate Federal Co-Chairman
Michael G. Marshall

States' Co-Chairman
Governor Phil Bredesen

GOVERNORS AND STATE DESIGNEES/ALTERNATES

Alabama
Governor Bob Riley
Doni Ingram (Designee)
Bea Forniss (Alternate)

Arkansas
Governor Mike Beebe
Steven B. Jones (Designee & Alternate)

Illinois
Governor Pat Quinn
Larry Woolard (Designee & Alternate)

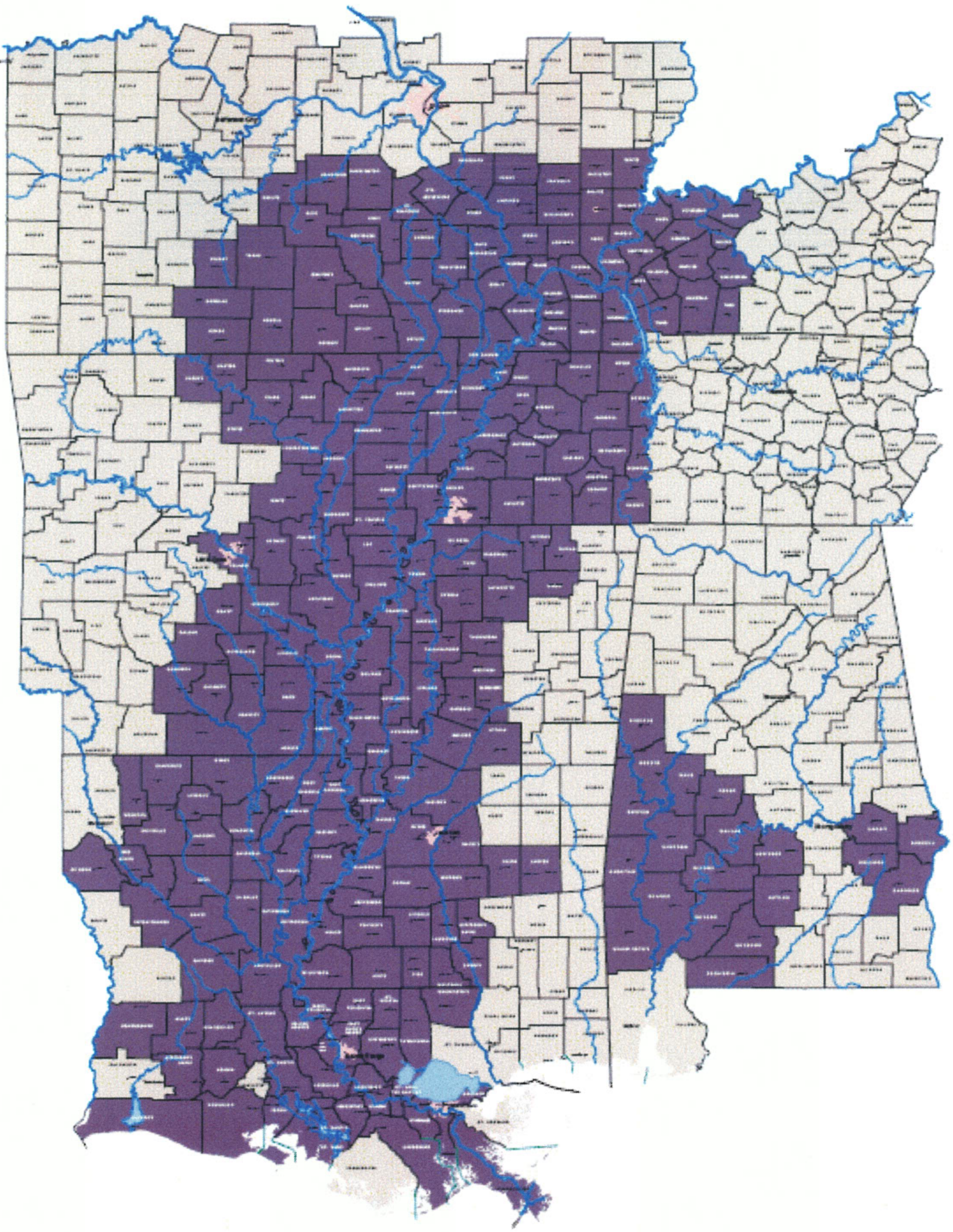
Kentucky
Governor Steven Beshear
Stacia Peyton (Designee & Alternate)

Louisiana
Governor Bobby Jindal
Jonathan Ringo (Designee)
Doyle Robinson (Alternate)

Mississippi
Governor Haley Barbour
Patrick Sullivan (Designee & Alternate)

Missouri
Governor Jay Nixon
Dr. Jon Hagler (Designee)
Andy Papen (Alternate)

Tennessee
Governor Phil Bredesen
Rick Meredith (Designee & Alternate)



Delta Regional Authority Service Area

Introduction

Delta Regional Authority is a federal-state partnership serving a 252-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, transportation improvements, business development and job training services.

Congress has mandated through the DRA Code and Enabling Legislation that the DRA shall provide funding for the following four categories:

- Basic public infrastructure in distressed counties and isolated areas of distress;
- Transportation infrastructure for the purpose of facilitating economic development in the region;
- Business development, with emphasis on entrepreneurship; and
- Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

Congressional stipulations include:

- The Authority will allocate at least 75 percent of Authority funds for use in distressed counties; and
- The Authority shall allocate at least 50 percent of any funds for transportation and basic public infrastructure projects.

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 was further extended in the 2008 Farm Bill. The Bill extends the Authority's authorization and termination date to 2012.

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

Program Highlights for Fiscal Year 2010

Fiscal Year 2010 Performance Goals and Intermediate Results

ANNUAL PERFORMANCE GOALS	INTERMEDIATE RESULTS
774 Jobs Created	894 Jobs Created
679 Jobs Retained	875 Jobs Retained
3,217 Families Affected	3,599 Families Affected
241 People Trained	70 People Trained

The Authority continued to emphasize the four funding priority 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 $9,813,555, which is 93.50 percent (well above the 50 percent required by statute) of the total fiscal year 2010 project funding allocation of $10,496,000. Also, investment in distressed counties totals $9,121,039, which is 86.90 percent (well above the 75 percent required by statute) of the total fiscal year 2010 project funding allocation of $10,496,000.

DRA's fiscal year (FY) 2010 grant funds attracted $60,296,302 in additional project funding, a ratio of 5.89 to 1, and $31,165,000 in leveraged private investment, a ratio of 3.04 to 1.

Distressed Counties/Parishes Fiscal Year 2010

The DRA Enabling Legislation requires the Authority to update distressed county designation annually. The tabulation for the fiscal year 2010 resulted in 221 distressed counties/parishes (see list below).

Distressed List as of September 30, 2010

Alabama (20)

Barbour
Bullock
Butler
Choctaw
Clarke
Conecuh
Dallas
Escambia
Greene
Hale
Lowndes
Macon
Marengo
Monroe
Perry
Pickens
Russell
Sumter
Washington
Wilcox

Arkansas (40)

Arkansas
Ashley
Baxter
Bradley
Calhoun
Chicot
Clay
Cleveland
Craighead
Crittenden
Cross
Dallas
Desha
Drew
Fulton
Grant
Greene
Independence
Izard
Jackson
Jefferson
Lawrence
Lee
Lincoln
Lonoke
Marion
Mississippi
Monroe
Ouachita
Phillips
Poinsett
Prairie
Randolph
Searcy
Sharp
St. Francis
Stone
Van Buren
White
Woodruff

Illinois (15)

Alexander
Franklin
Gallatin
Hamilton
Hardin
Jackson
Johnson
Massac
Perry
Pope
Pulaski
Randolph
Saline
Union
Williamson

Kentucky (18)

Caldwell
Calloway
Carlisle
Christian
Crittenden
Fulton
Graves
Henderson
Hopkins
Livingston
Lyon
Marshall
McLean
Muhlenberg
Todd
Trigg
Union
Webster

Louisiana (39)

Acadia
Allen
Avoyelles
Beauregard
Bienville
Caldwell
Catahoula
Claiborne
Concordia
De Soto
East Carroll
East Feliciana
Evangeline
Franklin
Grant
Iberville
Jackson
Jefferson Davis
La Salle
Lincoln
Livingston
Madison
Morehouse
Natchitoches
Red River
Richland
St. Helena
St. James
St. Landry
St. Martin
Tangipahoa
Tensas
Union
Vermillion
Washington
Webster
West Carroll
West Feliciana
Winn

Mississippi (42)

Adams
Amite
Attala
Benton
Bolivar
Carroll
Claiborne
Coahoma
Copiah
Covington
Franklin
Grenada
Holmes
Humphreys
Issaquena
Jasper
Jefferson
Jefferson Davis
Lafayette
Lawrence
Leflore
Lincoln
Marion
Marshall
Montgomery
Panola
Pike
Quitman
Sharkey
Simpson
Smith
Sunflower
Tallahatchie
Tate
Tippah
Tunica
Union
Walthall
Washington
Wilkinson
Yalobusha
Yazoo

Missouri (27)

Bollinger
Carter
Crawford
Dent
Douglas
Dunklin
Howell
Iron
Madison
Mississippi
New Madrid
Oregon
Ozark
Pemiscot
Perry
Phelps
Reynolds
Ripley
Scott
Shannon
St. Francois
Ste. Genevieve
Stoddard
Texas
Washington
Wayne
Wright

Tennessee (20)

Benton
Carroll
Chester
Crockett
Decatur
Dyer
Fayette
Gibson
Hardeman
Hardin
Haywood
Henderson
Henry
Lake
Lauderdale
Madison
McNairy
Obion
Tipton
Weakley

Organizational Structure of the Delta Regional Authority

The DRA Board is comprised of the governors of the eight states that are included in the DRA region, along with the Federal Co-Chairman, Christopher A. Masingill, who in FY 2010 was appointed by the President and confirmed by the Senate. The DRA Board, as per the DRA statute, appoints one governor from among the eight states to serve as the states' co-chairperson. In FY 2010, the Honorable Governor Phil Bredesen of Tennessee served as the DRA's fourth 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.

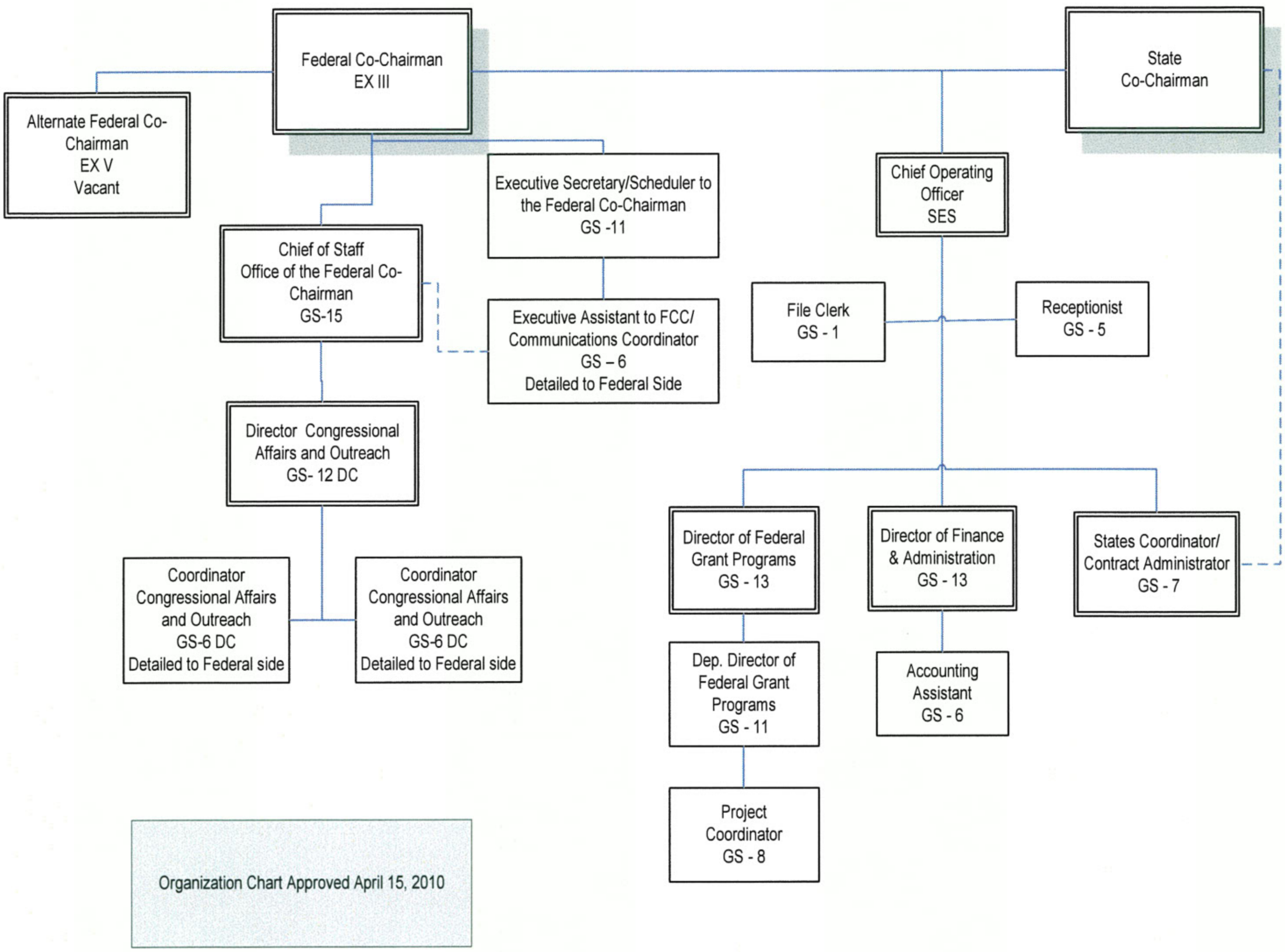
The relationship between the participating states' governors and the federal co-chairman is a partnership, whereas all board members share the responsibilities of the Authority. These responsibilities start with the policy-making decisions and extend through the selection of the grant recipients. The 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 may be appointed by the President at his discretion to serve in the absence of the federal co-chairman. Michael G. Marshall was named Alternate Federal Co-Chairman in May 2010.

The federal co-chairman maintains an office separate of the DRA office. At the end of FY 2010, the federal co-chairman's office employed five full-time federal employees. The DRA office consists of seven employees. These employees carry out the normal day-to-day operations of the DRA (i.e., finance, grant program and special initiatives).

Following is the current DRA organizational chart:

DELTA REGIONAL AUTHORITY ORGANIZATIONAL CHART



Financial Management of the Delta Regional Authority

The 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.

DRA has just completed its eighth year of compliance with the *Accountability of Tax Dollars Act of 2002*. Although this requirement was first mandated for FY 2003, DRA has consistently through the years initiated several additional controls and agreed upon procedural audits to ensure the financial integrity of the Authority.

Financial Highlights

The following is a summary of the changes in assets, liabilities, revenues, expenditures and net position at September 30, 2010, as compared to the prior years ended September 30, 2009 and September 30, 2008:

- Total assets increased $3,347,801, or 9.62 percent during 2010, compared to a $4,124,270, or 13.44 percent increase during 2009;
- Total liabilities increased $740,642, or 50.44 percent during 2010, compared to a $395,001 or 21.20 percent decrease during 2009;
- The net cost of operations increased $3,602,313, or 34.00 percent during 2010, compared to a $453,496 or 4.10 percent decrease during 2009;
- Financing sources increased $1,690,201, or 11.18 percent during 2010, compared to a $995,254, or 7.05 percent increase during 2009; and
- Net position increased $2,607,159, or 7.82 percent during 2010, as compared to a $4,519,271, or 15.68 percent increase during 2009.

Overview of the Financial Statements

The 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).

Condensed Balance Sheets

	2010	2009	2008
Current and Total Assets	$ 38,161,967	$ 34,814,166	$ 30,689,896
Current and Total Liabilities	$ 2,209,141	$ 1,468,499	$ 1,863,500
Net Position			
Unexpended appropriations/state funds	35,975,258	33,359,725	28,862,986
Cumulative results of operations	(22,432)	(14,058)	(36,590)
Total Net Position	35,952,826	33,345,667	28,826,396
Total Liabilities and Net Position	$ 38,161,967	$ 34,814,166	$ 30,689,896

Total assets increased $3,347,801, or 9.62 percent during FY 2010, compared to a $4,124,270, or 13.44 percent increase during FY 2009. The increase in FY 2008 to FY 2009 was due to the delay in the annual appropriation which further delayed the FY 2009 grant cycle. The difference in FY 2010 is due to the 2010 grant cycle not fully obligating all of its grant recipients by year-end. Additionally, the Rural Community Assistance Program (RCAP) funding provided to DRA through United States Department of Agriculture had not yet been obligated.

The total liabilities increased $740,642, or 50.44 percent during 2010, compared to a $395,001 or 21.20 percent decrease during 2009. The increase in FY 2010 was due to DRA prior year unused funds obligated by the participating states. The FY 2009 decrease was due to a significant amount of grant reimbursement requests submitted, along with the reduction in FHWA reimbursable agreement being disbursed.

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 statements of net cost provide information that can be related to the outputs and outcomes of the programs and activities.

Condensed Statements of Net Cost

	2010	2009	2008
Program Costs			
Intergovernmental gross costs	$ 86,684	$ 82,730	$ 82,950
Net costs with the public	14,111,016	10,512,657	10,965,933
Total Program Costs	14,197,700	10,595,387	11,048,883
Net Cost of Operations	$ 14,197,700	$ 10,595,387	$ 11,048,883

The net cost of operations increased $3,602,313, or 34.00 percent during FY 2010, compared to a $453,496 or 4.10 percent decrease during FY 2009. The FY 2010 increase was due to an increase in the DRA RCAP financing sources of $1,700,000 and also due to the increase in the federal appropriated grant dollars being obligated. The FY 2009 decrease is due to the change in the way that the RCAP funding for the state director projects is received and disbursed by DRA.

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 Statements of Changes in Net Position

	2010		2009		2008	
	Cumulative Results of Operations	Unexpended Appropriations/ Funds	Cumulative Results of Operations	Unexpended Appropriations/ Funds	Cumulative Results of Operations	Unexpended Appropriations/ Funds
Beginning Balance	$ (14,058)	$ 33,359,725	$ (36,590)	$ 28,862,986	$ (341,574)	$ 26,097,449
Budgetary Financing Sources	10,396,232	2,603,768	8,613,563	4,386,437	8,722,339	2,962,661
Other Financing Sources	3,793,094	11,765	2,004,356	110,302	2,631,528	(197,124)
Total Financing Sources	14,189,326	2,615,533	10,617,919	4,496,739	11,353,867	2,765,537
Net Cost of Operations	14,197,700	-	10,595,387	-	11,048,883	-
Net Change	(8,374)	2,615,533	22,532	4,496,739	304,984	2,765,537
Ending Balance	$ (22,432)	$ 35,975,258	$ (14,058)	$ 33,359,725	$ (36,590)	$ 28,862,986

Financing sources increased $1,690,201, or 11.18 percent during FY 2010, compared to a $995,254, or 7.05 percent increase during FY 2009. The FY 2010 increase was due to the increase in RCAP financing sources which correspond to the increase noted above in the RCAP net cost of operations. The FY 2009 increase was due primarily to increase in annual appropriations.

Net position increased $2,607,159, or 7.82 percent as a result of the increase in the fund balance with U.S. Treasury during FY 2010, as compared to a $4,519,271, or 15.68 percent increase during FY 2009. The FY 2010 increase in fund balance with U.S. Treasury was due to timing of grant obligations and related disbursements. The FY 2009 increase is best reflected by the increase in the annual appropriation and the decrease of net operation.

Statements of Resources (Budgetary and Non-Budgetary) – The statements of resources (budgetary and non-budgetary) and related disclosures 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)

	2010	2009	2008
Total Resources (Budgetary and Non-Budgetary Resources)	$ 36,635,757	$ 30,445,505	$ 30,682,661
Total Status of Budgetary Resources	32,767,949	28,377,055	27,855,927
Total, Unpaid Obligated Balance, Net, End of Year	29,202,889	16,286,963	15,583,373
Net Outlays	9,557,893	8,910,750	8,557,176

The increases for FY 2010 shown above are primarily due to increased RCAP financing sources and net costs in addition to the obligation of FY 2010 and FY 2009 federal appropriations used for grant funding, whereas in the prior year, only one fiscal year of grant funding was obligated. The increases in total resources, status of budgetary resources and net outlays are all due to increases in RCAP and federal appropriation listed above. The changes listed above for FY 2009 as compared to FY 2008 are comparable and can be attributed to the timing of the payments made for the grant reimbursement requests, as only one year of federal grant funding was obligated in FY 2009 and FY 2008.

***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 unit of the U.S. Government, a sovereign entity.

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, 2010 and 2009, 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.

SECTION 2 - PERFORMANCE SECTION

INTRODUCTION

The Government Performance and Results Act of 1993 ("GPRA") 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 Circular No. A-136. This report will incorporate the following:

- Overview of the Authority;

- Analysis of DRA *Congressional Mandates* and *Strategic Goals* and how those guiding principles further develop and continue to refine DRA *Performance Goals* and Comparison between DRA Performance Goals to estimated results reported by the DRA grantees located in the 252 counties/parishes in the eight-state region;

- Summarize the results of the following DRA programs and initiatives; and

    - DRA Federal Grant Program (FGP);
    - DRA Growing a Health Workforce in the Delta Initiative (HDI);
    - Delta Doctors Program (DDP);
    - BF Smith Foundation – Adult Literacy/Workforce Training (BFS);
    - Information Technology/iDelta (IT);
    - Delta Development Highway System (DDHS);
    - Multi-Modal Transportation (MMT);
    - Delta Green Jobs Initiative (DGJI);
    - Innovative Readiness Training Program (IRT);
    - Local Development District (LDD);
    - Entrepreneurship Training (SIU);
    - Delta Leadership Institute (DLI);

- Describe unmet performance goals and explain why they were not met, and what is being done to resolve the issues.

DRA has been able to complete this process by collecting and entering all the related data into a database as a routine procedure as soon as the grant agreement and closing documents have been executed. Additionally, DRA selects site visit locations based on the following methodology: those projects with the top 33 percent of DRA grant dollars, construction projects, projects administered by other agencies, and projects that have ongoing problems or issues. This level of supervision allows DRA to:

- Confirm projects are in compliance with the signed grant agreement;
- Collect and validate all data that has been agreed upon;
- Ensure compliance with budget, and all laws, rules, and regulations; and
- Validate general information to ensure the federal investment is being utilized as per the DRA statute.

OVERVIEW OF THE AUTHORITY

DRA's Vision - ***After decades of decline, the Delta Region will achieve a pattern of sustained growth. Increasing capital investment and productivity will establish the region as a magnet for talent and innovation, and will nurture a sense of place within each community.***

DRA's Mission – ***The DRA will 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.***

DRA, created by Congress in 2000, is a federal-state partnership serving a 252-county/parish area in an eight-state Region. Led by two presidential appointees, Federal Co-Chairman (FCC) and Alternate Federal Co-Chairman (AFCC), along with a State Co-Chairman and the governors of each participating state (see www.dra.gov/about/board-members/), 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.

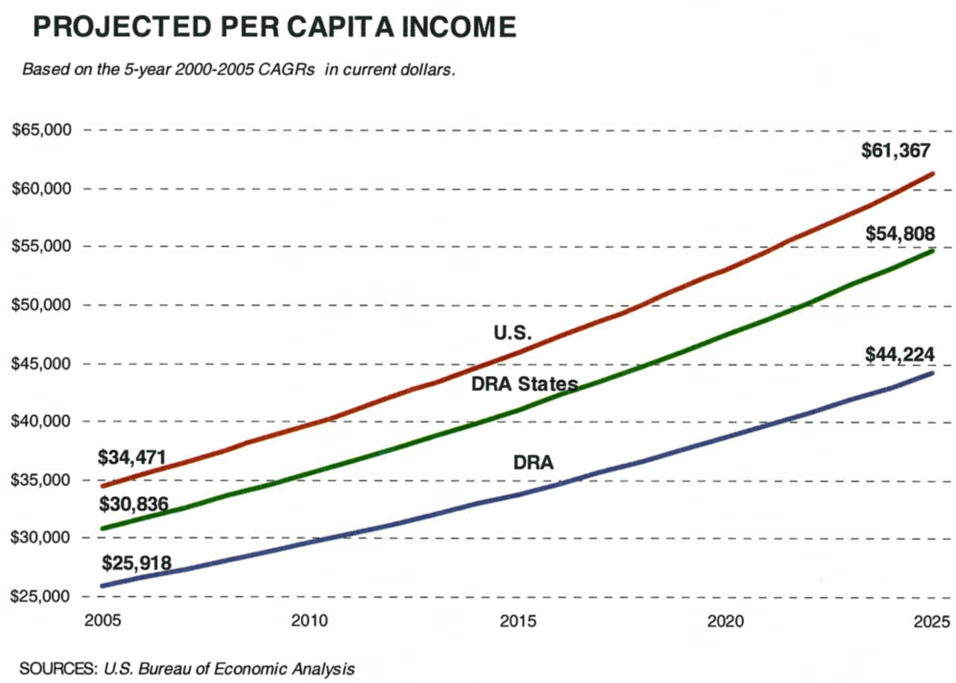
The Authority helps economically distressed communities to leverage other federal and state programs which are focused on basic infrastructure development, transportation improvements, business development, and job training services. Federal law requires at least 75 percent of funds must be invested in distressed counties and parishes and pockets of poverty, with 50 percent of the funds earmarked for transportation and basic infrastructure improvements. In Fiscal Year 2010, DRA invested 86.9 percent in distressed counties and parishes and pockets of poverty, and 93.5 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, in 2010 continues to partner with USDA's Rural Development Administration ("RDA"). Through their network of state and local offices, the RDA will assist the Authority with Rural Community Advancement Program (RCAP) program and project administration. DRA also partnered with Economic Development Association (EDA) by conducting community evaluations related to this year gulf oil spill. Additionally, the Authority works with each member state's Department of Economic Development, local development districts, Departments of Transportation, governor's offices, Department of Health, Department of Defense, Department of Commerce, congressional offices and city and county government.

The economic challenges facing the Delta region are serious. Between 2000 and 2005, nominal per capita personal income (PCI), for the (then) 240 counties and parishes of the DRA region, grew at a compound annual growth rate (CAGR) of 2.71 percent. In comparison, PCI for the eight DRA states and the U.S. grew at rates of 2.92 percent and 2.93 percent, respectively.

Moreover, projections of nominal per capita personal income growth based on the 2000-2005 averages show the income disparity between the region and the nation worsening (see figure below). By 2025, PCI for the U.S. is projected to reach $61,367. For the DRA region, total per capita income is forecast to reach just $44,224 over the same period. While PCI for the eight states would remain at 89 percent of the U.S. level in 2025, for the DRA region it would fall over the 20-year period from 75 percent to 72 percent. With shrinking opportunities to earn more money, Delta residents with marketable skills will likely migrate elsewhere in search of better paying jobs.



Delta Regional Authority Federal Grant Program 2010

Governors' project recommendations demonstrate the Authority's continued emphasis of the four funding priority 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 $9,734,131.25, which is 92.74 percent (well above the 50 percent required by statute) of the total fiscal year 2010 project funding allocation of $10,496,000. Also, investment in distressed counties totaled $8,844,248.24, which is 84.26 percent (well above the 75 percent required by statute) of the total fiscal year 2010 project funding allocation of $10,496,000.

DRA's Fiscal Year 2010 grant funds attracted $60,296,302.25 in additional project funding, a ratio of 5.89 to 1, and $31,165,000 in leveraged private investment, a ratio of 3.04 to 1.

Overall:

- DRA has contributed:
    - $86,170,823 to 602 projects in its eight-state region for total project costs of $517,443,490.
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DRA now has 192 projects which are active with projected outcomes including: 36,614 families who will receive improved water and sewer, 2,900 jobs which will be created, 3,863 jobs which will be retained and 257 individuals who will be trained for jobs already committed to this Authority.

Analysis and Comparison

Congress has mandated through the Delta Regional Authority Code and Enabling Legislation that the DRA shall provide funding for the following four categories:

- Basic public infrastructure in distressed counties and isolated areas of distress;
- Transportation infrastructure for the purpose of facilitating economic development in the region;
- Business development, with emphasis on entrepreneurship; and
- Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

Additional congressional stipulations include:

- The Authority will allocate at least 75 percent of Authority funds for use in distressed counties; and
- The Authority shall allocate at least 50 percent of any funds for transportation and basic public infrastructure projects.

These items represent the lower tier policy points that specifically drive the grant program efforts of the Authority. The following section pertains to DRA strategic goals and provides a broad vision of how DRA can be successful in its mission. The Authority's mission encompasses many different activities, not least among these being the federal grant program.

The DRA commissioned the development of the Regional Development Plan, which codifies the strategic goals of the Authority and serves to augment the congressionally mandated mission of the Authority.

The three general goals from the DRA's 2008-2012 Regional Development Plan, "Rethinking the Delta", are used and outlined below to demonstrate performance in Fiscal Year 2010.

GOAL 1
Advance the productivity and economic competitiveness of the Delta Workforce

Objective 1.1: Improve the health of the region's workforce through the Healthy Delta Initiative.

Objective 1.2: Expand access to healthcare professionals.

Objective 1.3: Establish a Delta Institute.

Objective 1.4: Work with other regional partners to improve the employability and productivity of Delta residents.

Objective 1.5: Strengthen workforce education and professional skills programs.

GOAL 2
Strengthen the Delta's physical and digital connections to the global economy

Objective 2.1: Advance the iDelta initiative.

Objective 2.2: Build the Delta Development Highway System (DDHS).

Objective 2.3: Expand intermodal and multimodal transportation nodes and networks.

Objective 2.4: Expand the region's energy infrastructure and production capacity.

GOAL 3
Create sustainable communities within the Delta

Objective 3.1: Enhance the quality of place of Delta Communities.

Objective 3.2: Promote innovations and diversification within local and regional economies.

Objective 3.3: Support growth-oriented entrepreneurship.

Objective 3.4: Foster local leadership.

Objective 3.5: Build and augment basic infrastructure.

All of the above referenced strategic goals serve as a navigational aid to senior management and DRA member states, when it comes to planning for the future of this region. The Regional Development Plan could be considered a touchstone used to provide focus for DRA policy decisions.

While the performance goals listed below are strictly related to the DRA grant program, many of the goals and objectives above are supported by the efforts of the grant program. Further discussion on each of the three strategic goals and associated objectives and more specifically, what DRA is doing in regard to each, are outlined in the following sections.

Fiscal Year 2010 Performance Goals and Intermediate Results

ANNUAL PERFORMANCE GOALS	*INTERMEDIATE RESULTS*
774 Jobs Created	**894 Jobs Created**
679 Jobs Retained	**875 Jobs Retained**
3,217 Families Affected	**3,599 Families Affected**
241 People Trained	**70 People Trained**

The above listed annual performance goals and intermediate results were developed using the following methodology. In the DRA federal grant program, grantees are asked to demonstrate their commitment to their projects by providing DRA with the number of jobs to be created and/or retained, families which will be affected or people that will be trained. When private entities are involved with the job creation/retention aspects, DRA executes a private entity participation agreement with the private firm. This agreement reaches beyond the grantee directly to the private firm creating/retaining the jobs, and ensures their accountability to DRA. In the event these jobs are not (or not all) created/retained, the agreement has provisions for the return of grant funds.

Once the project begins, grantees are expected to submit quarterly performance and financial status reports to reflect on tasks that were accomplished, problems encountered, and goals for the following quarter. With the submission of the final report, the grantee will provide to DRA the actual results of the project.

The table above shows a comparison of the performance goals and the 'intermediate' results for active projects in fiscal year 2010. These results are considered intermediate due to the fact that some projects are not yet complete, while others must continue to report on their performance goals for up to five years beyond the close-out date of the grant. Given that these are intermediate results, DRA grants are clearly exceeding the performance goals established by the grantees.

Program Goal One: Advance the productivity and economic competitiveness of the Delta Workforce

Objective 1.1: Improve the health of the region's workforce through the Healthy Delta Initiative.

Age-Adjusted Prevalence of Diagnosed Diabetes per 100 Adult Population for the Delta, 1994 and 2005				
	1994	2005	1994-2005 Pct. Chg.	2005 U.S. Rank
Alabama	4.2	8.6	104.8%	5
Arkansas	5.2	7.2	38.5%	21
Illinois	5.4	7.0	29.6%	25
Kentucky	3.9	8.0	105.1%	12
Louisiana	6.1	8.7	42.6%	4
Mississippi	6.1	9.6	57.4%	2
Missouri	4.9	7.2	46.9%	23
Tennessee	5.4	8.5	57.4%	6
Source: Centers for Disease Control & Prevention				

The federal co-chairman and the board members representing the eight states have identified health as a major focus of the Authority. The growing incidence of chronic disease is a formidable challenge for the region and for the nation. The CDC estimates that in 2005 20.8 million Americans – 7 percent of the population – had diabetes. Within DRA states, 2.57 million people are estimated to suffer from diabetes.

The Delta Regional Authority recognizes that health plays a critical role in the productivity and well-being of the Region. In Fiscal Year 2010, DRA adopted its newly-revised plan entitled "Growing a Healthy Workforce in the Delta", which can be viewed at http://www.dra.gov/pdfs/dra_health-programs-action-plan_012510.pdf .

Recognizing that the health plays a critical role in the productivity and well-being of the region, the DRA's health advisory committee has been working for the last year to develop the strategic plan for the agency that emphasizes evidence based activities and the sharing of best practices to have a real impact on health in the Delta. The DRA has a long and successful history of bringing together various agencies and local groups for the betterment of the Delta Region. This leadership role as facilitator, coordinator and relationship-builder has proven invaluable to the region and represents a unique and critical asset. For this reason, we believe that focusing on activities that build on these DRA's strengths will ensure the success of their activities in the health arena.
Consistent with DRA's current success in the arena of economic development, we believe that the following principles must guide efforts in the health arena:

1. **Empowerment** – sustainability requires that local leadership be empowered to own their health issues and the local solutions.

2. **Local Determination/Local Effort** – similarly, local solutions should be driven by grassroots efforts so that programs are tailored to the unique needs of each area and local leadership is invested in the process and outcomes.

3. **Accountability** – all investments require accountability to ensure efficient and appropriate use of resources. The current Federal Grant Program requires that local agencies sign a contract to deliver promised outcomes or forfeit grant monies. A similar

approach should be used with the health program to ensure realistic goals and responsible management of funds.

4. **Coordination/Alignment** – building on its strengths as coordinator, facilitator and relationship-builder, the DRA should emphasize activities that;

- leverage other federal, state, and local funding;
- bring together various agencies and groups with similar interests or responsibilities;
- compile and organize information on health needs, best practices, and available funding so that it is easily accessible for local leadership in the Delta; and
- work to eliminate fragmentation and duplication of federal, state and local efforts.

5. **Monitoring and Updating** – to ensure maximum relevance and impact, the DRA must continuously monitor and update the information it makes available and its communication and coordination methods.

Additionally listed in the DRA Regional Development Plan II (RDPII) (http://www.dra.gov/!UserFiles/pdf/Approved_Final_Plan_5302008_Letter.pdf) under Appendix A it reflects that the impact on Job Growth of a 1 percent increase in life expectancy over 15 years is 4.6 percent as listed in the table below. Researchers at Harvard University's School of Public Health recently completed a major project on life expectancy. The residual of this project was an extensive database of life expectancy data at the county level. Building on this database, we found that life expectancy changes have a high correlation with job growth. While public health if often taken for granted in the U.S., in the least developed countries, stabilizing public health often comes before literacy and education as a policy priority. The relationship between health and economic development goes beyond the fact that healthy people live longer and are therefore able to be productive members of society longer. They also show up regularly for work and they cost their employers less in health care. Their productivity is higher. All of these things bode well for economic development efforts. DRA's priorities should focus on programs that improve public health. In fact, DRA's "Healthy Delta" initiative is an ideal example of this type of priority already in practice.

Impact on Job Growth of a 1 percent increase in:	
life expectancy over 15 years	4.6%
Domestic Migration	3.8%
Percent of workers in technical & professional occupations	2.6%
Foreign-born population	1.9%
Percent of workers that are self-employed	0.3%
Percent of jobs in companies started in last 5 years	0.3%
Public school enrollment	0.2%

The DRA, through its Healthy Delta initiative, has highlighted the importance of health to the regions as a whole. In addition to its direct implications on quality of life, the critical mass community analysis suggests a direct link between health (measured in changes in life expectancy) and economic vitality. With substantially high rates of diabetes – among other illnesses – the productivity of the Delta is severely compromised. DRA will start the beginning stages of the plans implementation towards the end of Fiscal Year 2010. Additional information regarding DRA Growing a Healthy Workforce in the Delta is found in appendix A.

Objective 1.2 Expand access to healthcare professionals.

Access to quality healthcare is a significant challenge facing rural America, especially among the poorest and most disadvantaged regions. Many medically underserved areas struggle to recruit and retain high quality physicians, nurses, and other medical specialists. Moreover, local residents who are trained for such occupations often choose to live in more urban and affluent areas.

Number of Physicians per 10,000 Civilian Population, 2004		
State	Number	U.S. Rank
Illinois	27.2	13
Missouri	25.7	22
Louisiana	25.3	25
Kentucky	22.7	35
Alabama	21.1	43
Arkansas	20.5	46
Mississippi	18.4	50
U.S.	26.3	--
Includes the 50 states and District of Columbia		
Source: U.S. Department of Health and Human Services: *Health, United States, 2006*		

The lack of health care providers and services, combined with greater financial and geographic barriers common to rural areas, condemns many rural Americans to higher rates of chronic disease, physical limitations, and premature death. The number of physicians in the Delta region is 23 percent lower than in the rest of the nation. The number of dentists in the Delta is 24 percent lower.

In an attempt to increase the number of doctors serving Delta residents, the Delta Regional Authority implemented the Delta Doctors program in 2003. 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 Delta Regional Authority 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 and also provides National Interest Waiver (NIW)

Support. The NIW allows foreign physicians to obtain permanent residence in this country by providing a total of five years of medical service in a medically underserved area.

DRA collaborates and coordinates with health clinics, hospitals, immigration attorneys, State Conrad 30 coordinators and the State Department to ensure the program's integrity. To date, the Delta Doctors program has assisted with the placement of approximately 140 physicians in the region, which has helped to better meet the health care needs of more Delta families. For Fiscal Year 2010, DRA budgeted for and set a goal of recruiting 15 physicians; DRA was able to bring 20 physicians to the region. This highly successful program has been featured in several medical publications including the West Tennessee Medical News and the Medical News of Arkansas.

State	Physicians
Alabama	0
Arkansas	10
Illinois	22
Kentucky	6
Louisiana	5
Mississippi	38
Missouri	21
Tennessee	37
Totals	**138**

Delta Doctors: Physicians Placed by State: 2003 to 2010

Objective 1.3 Establish a Delta Institute.

This objective is scheduled in the fourth year of the DRA Regional Development 5 year Plan and is to conduct a feasibility study to evaluate the specific challenges in the region.

Objective 1.4 Work with other regional partners to improve the employability and productivity of Delta residents.

Through a partnership with the B.F. Smith Foundation of Stoneville, MS, the DRA is continuing to address issues of adult illiteracy and workforce training through its Pre-Employment Training Program. The program seeks to increase adult literacy through individualized reading programs. The partnership also provides a seamless transition for participants into training programs and links to employment agencies upon completion of the program. Partner organizations providing training programs include universities, community colleges, and workforce training centers.

While there are many programs that have aided in this increasingly alarming problem, few have had continuous and significant impacts. In 2002, the B.F. Foundation requested that Delta Council, a 73-year-old organization, attempt to address the problem of adult literacy in the Delta by establishing a pilot program to test a model for adult literacy necessary for employment. Delta Council is an area economic development organization representing the eighteen Delta and part-Delta counties of Northwest Mississippi. It was organized in 1935 by a group of farsighted citizens to provide a medium through which the agricultural, business, and professional leadership of the area could work together to solve common problems and promote the development of the economy of the area. Delta Council sought out Dr. Connie Schimmel, President of Fairview Learning in 2002, to conduct two pilot reading programs in Yazoo County, MS.

Fairview Learning focuses on accelerating the levels of adult reading skills in a short number of weeks (8-10 weeks for 45 minutes per week). Dr. Schimmel is also an Associate Professor of the Department of Education at Millsaps College in Jackson, Mississippi. She directs the Special Education component of the Elementary and Secondary Licensure program at Millsaps College.

Countless attempts have been made to teach Delta people to read in the past often using under-trained, but strongly committed volunteers who are ill-equipped to create lasting change. The two pilot programs in Yazoo County clearly demonstrates that dramatic results can be achieved with people who come to the program from a range of environments.

As way of example, this process has been tested as a "pilot program." The initial Yazoo County pilot program had five participants from 36-56 years of age and an average eighth-grade education. The clients had an average of 5.8 children each. The only prerequisites for the program were that the participants had to possess limited to no reading skills. The program consisted of eight sessions (1-2 per week) lasting approximately 30-45 minutes each. Participants met individually with the tutor. At the end the training period, each participant improved an average of 3.7 grade levels, and enjoyed a 74 percent mastery level of 21 consonants, 5 short vowels, and 16 long vowels. In short, one student went from functioning at the "picture level" to reading at the first grade level in 6 weeks or 4 grade levels of progress. This student is now seeking his professional driver's license and has begun receiving his mail at home rather than at his sister's house. Another student began on a 4th grade level and would not read aloud. Upon completion of the program, she now reads on the 9th grade level and volunteers to read Bible passages at Sunday School, practiced reading with her 4 children, and signed up to obtain her Graduate Equivalent Degree.

Accordingly, based on these very successful outcomes, the DRA plans to collaborate with Delta Council and Dr. Schimmel to extend and expand this pre-employment program.

The Proposed Work-plan

Specifically, DRA expanded the current operations of the program into additional Mississippi counties and more sessions within existing counties, which include **Bolivar, Coahoma, Holmes, Humphreys, Issaquena, Leflore, Quitman, Sharkey, Sunflower, Warren, and Washington**.

Distinctions

Other adult literacy programs exist in the eight states served by the Delta Regional Authority. Many of the programs are community-based and largely serve residents of the Delta Region seeking to improve their skills. Components of the "DRA Pre-Employment Program," will serve this population; however, it will primarily seek to serve the residents of the Delta Region in Mississippi, where statistics show a more distinct problem with adult literacy. The program is titled, **LET's READ — L**iteracy, **E**ducation, **T**raining and **R**eadiness for **E**very **A**dult's **D**evelopment.

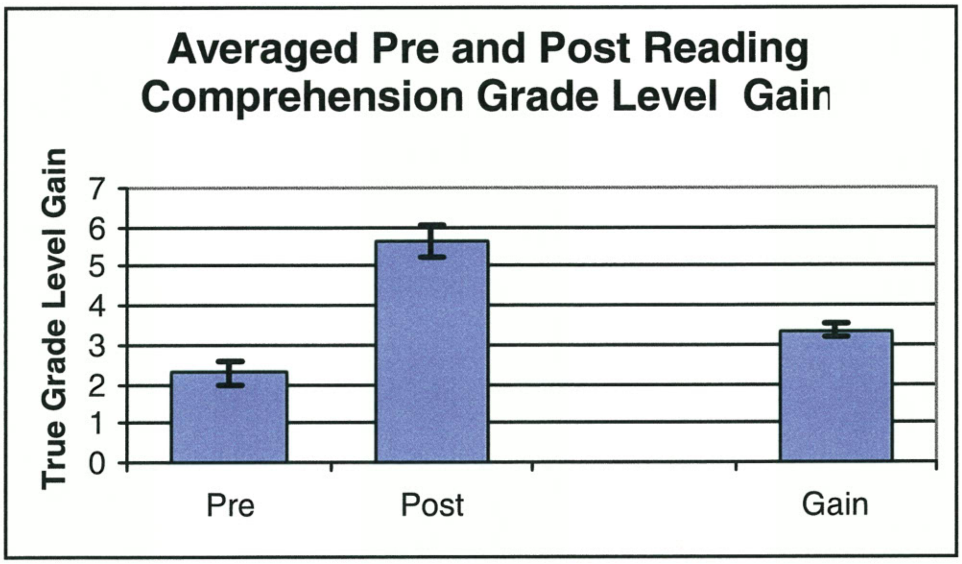
LET's READ focuses on improving literacy skills by acting as a pre-vocational literacy training program. The concept is to arm participants with the skills and knowledge to not only advance academically, but also prepare them to enter the workforce by improving educational and practical skills. The program is community driven, allowing barriers to access to be broken down.

This is not a typical model of Adult Education because it offers specific one on one instruction to an extremely rural population and provides post-program/education referrals to vocational and secondary education. In order to enhance and expand LET's READ to include health components, we must measure outcomes meeting national standards while maintaining the unique structure and characteristics of a pre-vocational literacy program.

Workforce Training Initiative—The Adult Education and Family Literacy Act (AEFLA), enacted as Title II of the Workforce Investment Act (WIA), serves as the major source of federal support for Adult Education (AE) programs. Nationally, modest performance gains are reported with only 36 percent to 38 percent of those enrolled in Adult Basic Education (ABE) or Adult Secondary Education (ASE) programs completing one or more educational levels per year. To address the problems of low adult literacy, programs, such as LET's READ, must be utilized which enable participants to reap the benefits of learning to read as quickly as possible, turning newfound knowledge into human capital. Advances in human capital that might expand adult literacy's role in poverty reduction include turning literacy programs into community organizations; creating networks of community organizations; and focusing on doing, as well as learning.

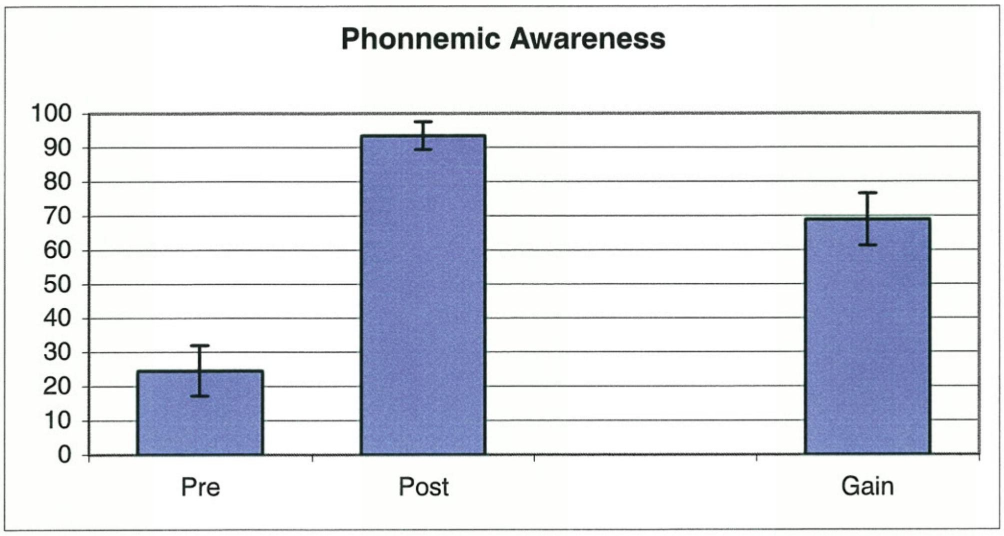
The following two graphs provide a snapshot of the program's success. The first graph demonstrates the progress made in reading comprehension grade levels. Participants began the program with an averaged 2.3 reading comprehension grade level and ended at the 5.7 reading comprehension grade level. The averaged progress with approximately 7 ½ hours of instruction was 3.4 grade levels. Although the progress is significant, averages do not reveal the extremely low levels where many of these adults began and the truly phenomenal progress many adults made. Several participants began with no knowledge of the alphabet; they did not understand that letters have sounds. Approximately 27 percent of the adults who have participated in the program began the program below the first grade reading level. Another 41 percent began on/or between the first and third grade reading level. In order to gain a sense of perspective as to how this inability to read limits an individual's daily life activities, most newspapers are written on the 9th grade or higher reading level.

Figure 1: Reading Comprehension 3.2 Grade Levels or Averaged Progress of all Program Participants



The second graph demonstrates the significant gains made in participants' phonemic awareness, the ability to sound out or decode the printed word. This ability is a prerequisite to reading the English language. Averaging all beginning levels, adults began knowing only 25 percent of the code and ended knowing 93 percent. Participants averaged a 68 percent gain. However, it is important to note that several adults began the program with no letter-sound knowledge. Others did not know the alphabet. Not understanding how to sound out words is the underlying cause for most reading difficulties. This abbreviated technique to the sounds of English expedites the reading comprehension and decoding skills of participants and guarantees program success.

Figure 2: Phonemic Awareness 68 percent Averaged Progress for all Program Participants



Intuitively, it is tempting to propose that literacy, as measured by educational qualifications, determine the economic growth and literacy level of a community. However, human capital, which is more than one's educational degrees, may be more significant. Rather than measuring just high school diplomas or university degrees, the actual skills acquired by individuals are more important to the economic well-being of a community. Furthermore, *the benefit of reducing the number of people with very low skills shows up more clearly than that of increasing the number with the highest skills.* (The Economist, August 2004) Economists know that an increase in human capital reflect an increase in economically relevant skills. The following are just a few of the more significant literacy indicators our participants have experienced as a result of the reading program.

- Higher reading comprehension grade levels;
- Improved phonemic awareness;
- Improved ACT scores;
- Increased independence -- reading street signs, following maps, shopping;
- Job advancement -- job promotions and retention;
- Improved community involvement -- more volunteer work in community centers, churches, and Sunday school classes;
- Improved job performance -- writing evaluations on coworkers; ordering products; completing forms;
- Improved personal businesses -- accepting credit cards in one's business, writing money orders, reading mail, paying bills;
- Increased motivation -- returned to GED programs, community colleges, or vocational programs;

- Deeper family relationships -- can write letters to children, can read stories and help children with homework, improved relationships with granddaughters or children;
- Improved daily living skills and quality of life - can read the newspapers and magazines, can go shopping and read labels;
- Empowerment -- better medical care; seeking better or more employment opportunities;
- Increased pride – more positive feedback about new abilities from children, spouses, community members and friends;
- More outgoing -- more active in families and communities.

Objective 1.5: Strengthen workforce education and professional skills programs.

Access to skilled talent is the most pressing challenge facing American and foreign-owned companies operating in the United States. While many lower-skill, lower-wage jobs are either eliminated through technology or moved offshore, skilled positions that require more advanced training and expertise are increasing in demand. In the manufacturing sector, jobs go unfilled as modern production and assembly occupations require higher-level knowledge and training. Moreover, as the "baby boom" generation begins entering retirement age in significant numbers –around 2011 – the demand for skilled and educated workers will intensify.

As a consequence, regions that cannot offer a talent base with the ability to learn and acquire advanced skills will not be able to compete for new jobs. For the Delta region, which suffers from chronic high unemployment and poverty, its workforce must be equipped with the skills and training necessary to fill 21st century occupations. To meet this challenge, over the past four years the DRA has awarded over $4.5 million in federal grants funds toward local workforce training initiatives and programs.

Program Goal Two: **Strengthen the Delta's physical and digital connections to the global economy**

Objective 2.1 Advance the iDelta initiative

Coahoma County Wireless Broadband Pilot/Demonstration

The information technology (IT) revolution of the last few decades has permanently altered the economic and social environment of the nation and the world. Unprecedented levels of economic and productivity growth have occurred in communities, regions, and societies that have fully embraced IT and its numerous applications. To measure the presence and role of IT in the economic development of the Delta, the DRA commissioned a two-part plan from the Southern Growth Policies Board (SGPB). The first volume assesses the level of IT utilization in the domains of education, healthcare, government, business, and personal and community engagement. The second volume offers recommendations for expanding its use in order to maximize the region's potential.

Findings from the *i*Delta report include:

- In DRA's rural counties, the number of counties and parishes lacking high-speed service is almost 18 percent.
- The percentage of DRA school districts with a website lags the U.S., 54 percent compared to 62 percent.
- Only 22 percent of counties and parishes offer online government services.
- Only 15 percent of DRA local governments have a website, compared to about 24 percent of the U.S.

Source: iDelta, Measuring Information Technology in the Delta, Southern Growth Policies Board

DRA applied for Fiscal Year 2004 funding under the Rural Business Opportunity Grant (RBOG) from the United States Department of Agriculture to create and establish an Information Technology Program, called "iDelta" to assist the Authority with its Congressionally mandated work in its region comprised of 252 counties and parishes within the eight states of Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri and Tennessee.

In April 2007, the Delta Regional Authority (DRA) released its "iDelta – DRA's Information Technology Plan for the Region", which included eight specific recommendations to increase awareness, use and deployment of IT resources in the region – all of which will combine for a richer and more-robust economy and future for its people:

1. Geographic Information Systems;
2. Tele-health;
3. Community Access;
4. Awareness;
5. Distance Education;
6. Workforce Development;
7. E-Government; and

8. Create an atmosphere of opportunity for increased private-sector investment.

Toward those ends, the DRA has been working for the past year, with high-level staff discussions and negotiations with national and state offices, particularly USDA and its Rural Utility Services and Rural Development offices, different state technology alliances, congressional offices and regional/national tele-comm carriers and providers to initiate the phased implementation of iDelta. Specifically, DRA is now working on the following bases – DRA region-wide, DRA sub-region and state sub-regions to:

1. DRA region-wide: help other states in the region grow their own technology entities. Most DRA states do NOT have an entity with a formalized structure, strengths of partners and shared missions and visions.

2. DRA sub-region: DRA is working with a multi-state entity on a technology-based system for workforce training and development, which will elevate under-employed workers to higher-paying jobs and attract new talent, thereby boosting the economies of DRA states.

State sub-region projects: some specific, much-needed (pilot/demonstration) projects – such as: wireless broadband in an under-developed county; such as Coahoma County, Mississippi.

DRA has contracted with the Mississippi Technology Alliance (MTA), for project management, to pilot/demonstrate wireless broadband in Coahoma County, Mississippi. MTA is a 501 C (3) established in 1999 with the mission to drive innovation and technology-based economic development in the state of Mississippi. MTA staff has an extensive background over the past nine years managing numerous state and federal-funded technology demonstration projects and helping local communities assess their assets for leveraging technology infrastructure deployment.

MTA is performing the following tasks:

- Task 1: Develop and facilitate a Coahoma County Wireless Broadband team with members representing a cross section of the community, including business, telecommunication, health care, workforce development, K-12 education, higher education, libraries, community-based organizations, local government, tourism/recreation, and agriculture;

- Task 2: Coordinate with willing current broadband service providers to identify and map the gaps in broadband service, in the county without broadband availability;

- Task 3: Investigate best practice models for community telecommunications assessments including: Connected Nations, E-North Carolina, and Georgia Tech's Smart Tech;

- Task 4: Conduct a pilot community telecommunications assessment to identify barriers to broadband adoption and provide market demand analysis for wireless broadband;

- Task 5: Develop and manage a Request for Proposal process for a wireless broadband demonstration in a manner that supports a service providers business plans and meets the needs of the county;

- Task 6: Monitor the progress of the wireless broadband demonstration project;

- Task 7: Identify and pilot best practice tools and resources to equip the Delta Regional Authority and the Coahoma County Wireless Broadband team to measure and track broadband and information technology adoption; and

- Task 8: Work with the Delta Regional Authority and the Coahoma County Wireless Broadband team to develop a computer donation pilot program to provide computers and wireless devices to needy students.

Outcomes: This DRA iDelta initiative will expand broadband infrastructure, increase computer and Internet adoption, and ultimately increase the number of companies, workers, and students using information technology in this rural county. The Coahoma County wireless broadband pilot/demonstration project will first identity and map the gaps in broadband service. A pilot community technology assessment will be conducted to identify barriers to broadband adoption and provide market demand analysis for wireless broadband. In addition, a request for proposal process for a wireless broadband demonstration will be developed, managed, and monitored. Finally, a computer donation pilot program will provide computers and wireless devices to needy students.

Economic Impact: As part of the project management tasks, Mississippi Technology Alliance will investigate and pilot best practice models for community telecommunications assessments (including Connected Nations, E-North Carolina, and Georgia Tech's Smart Tech) and best practice tools and resources to equip the Delta Regional Authority and the Coahoma County Wireless Broadband team to measure and track broadband and information technology adoption.

Mississippi is ranked as the lowest state for Internet penetration at 46 percent, according to figures from the U.S. Census Bureau in October 2007. It is more than 50 percent in urban areas and 42 percent in rural areas. Nationwide the average is 62 percent. Wireless broadband can reduce the digital divide by providing low-cost, high-speed Internet access for residents.

In March 2008, Connected Nations estimated that Mississippi would realize an annual economic impact of approximately 18,000 jobs per year if broadband adoption rates were to be increased at even a modest rate statewide.

According to Connected Nations, "broadband Internet access is one of the keys to economic success. Although broadband infrastructure on its own is not a silver bullet solution for prosperity, adequate access to broadband infrastructure is an enabler for knowledge-based economic development and enhancing the lives of citizens and businesses. Broadband infrastructure enables communities to provide a telecommunications asset to companies that require advanced communications capabilities. Businesses increasingly rely upon broadband Internet access for company operations, connecting to customers, suppliers, and telecommuters. The requirement for broadband access has become the norm for recruiting companies and workers, creating a chasm for communities that do not have adequate broadband infrastructure."

According to Jane Smith Patterson, Executive Director of a rural broadband access group in North Carolina and one of the nation's leaders in state telecommunications policies, "a ten percent increase in broadband usage in a community results in an average of $7,000 of economic difference per household."

For every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 to 0.3 percent per year. (The Brookings Institute, *"The Effects of Broadband Deployment on Output and Employment: A Cross-sectional Analysis of U.S. Data"*, Number 6, July 2007.)

IT-related jobs pay 18 percent more than non-IT jobs. IT jobs in the manufacturing, transportation and utilities and wholesale and retail trade industries pay the highest wage premiums. (*The Federal Reserve Bank of Atlanta, Economic Review.* Third Quarter 2005.)

"The evidence suggests that having access to a home computer is associated with the probability of becoming an entrepreneur." (SBA report, *"Technology and Entrepreneurship: A Cross-Industry Analysis of Access to Computers and Self-Employment*", www.sba.gov 2007.)

Education Benefits- In Mississippi, although 99 percent of public schools have Internet access and over 90 percent have high-speed Internet access, 47.7 percent of the students who attend those schools go home to a residence without Internet access, according to a Mississippi Department of Education survey. (The Stennis Institute, "*Bringing Broadband to Rural Mississippi Appalachia: An Examination of Current Environment, Issues and Alternative"*, 2005.)

According to Pam Lawhead, professor of computer and information science at the University of Mississippi, "The Internet is no longer about convenience, it's about keeping up."

Constance Bland, chairwoman of the math and computer science department at Mississippi Valley State University agrees, "Almost every teacher here at the university gives assignments where students have to access the Internet. Also, today's textbooks almost always include supplemental materials on the Web. When it comes to the mercy of a computer lab everybody's going into, you show up and there are 50 people and 45 computers, there are definitely disadvantages to not having access at home."

Healthcare- "When the health field is fully integrated with information technology, it will bring some 20 percent of the cost out of the system," President George Bush, December 2004.

"A healthy population equals a healthy economy. A one percent annual increase in life expectancy equals 4.8 percent improvement in local economy," Pete Johnson, Federal Chair of the Delta Regional Authority, August 2007.

Over the past year, the term "healthcare 2.0" has come into use for describing a disruptive movement which brings together Web-based technologies and a personalized approach to health, wellness, and medical care. In his talk, Dr. David Kibbe explained that Health 2.0 "is about reusable, repurposable, and reconnect able health data, and tools consumers can use to live healthier and longer lives." The end result will be a consumer's ability to access their own health information in electronic format and the disintermediation of some groups in the healthcare industry. <u>Fourth Annual Healthcare Unbound Conference – Summer 2007</u>

E-Government/ Public Safety- Only 15 percent of local governments in the DRA region has websites, a key indicator of e-government progress. Mobile wireless applications present opportunities for improving law enforcement, fire suppression, and homeland security through video surveillance, high speed record sharing, mug shot transfer, video transmission from national and local sources, wireless call boxes, inner building tracking for firefighters, and field reporting, all resulting in productivity gains and improved communications. First responder safety can be improved by providing them with important information prior to arriving at a scene and with enriched communications during events.

The weight of these statistics and these comments from federal and state leaders lends credence to the DRA's assertion that economic development can be enhanced, exponentially, through the proper application of technology. In addition, broadband internet access enables enhanced education, healthcare delivery, government services, and public safety.

Jobs saved and created:

As part of the Coahoma County Wireless Broadband project, a request for proposal (RFP) will be issued for a contractor to construct and operate a wireless broadband network. Based upon construction and operations of wireless broadband networks in other similar sized rural markets, it is anticipated that two direct jobs will be created to construct and operate a wireless broadband system. This includes one marketing/sales agent and one wireless broadband network technician/manager.

Other direct and indirect jobs saved or created by this project would be contingent upon market demand. However, based upon an initial discussion with one Clarksdale based company, Mississippi Media Group, two jobs would be saved and additional jobs could be created as a result of this wireless broadband project.

Mississippi Media Group is focused on creating high quality audio-video content that captures the blues masters of today and the legends of yesterday. The programming is exploited via worldwide distribution of DVD's and throughout the digital ecosystem. Mississippi Media Group's current project is to create two broadcast seasons of programming called "Down To the Crossroads" which is hosted by Morgan Freeman and features performance footage and behind the scenes dialog and documentary with the musicians.

Mississippi Media Group currently has support from several technology companies to assist in making their content the highest quality possible, but they regularly deal with technology challenges (and bottlenecks) that could be helped greatly by adding wireless broadband to the scene in Clarksdale. Their production facility would instantly become much more efficient which would allow them to manage their productions in parallel. More programming means more high quality, high profile jobs in the Delta region.

Wireless broadband would also provide Mississippi Media Group with a platform to market and exploit their content directly from Clarksdale. Streaming, downloading and movement of high definition audio and video files is extremely bandwidth intensive, and Mississippi Media Group would normally have to go to a larger metropolitan area to compete in the marketplace. By creating a hub for distribution, many other companies would see Clarksdale as a viable location for doing business on a worldwide stage.

According to Gary Vincent, President, "Mississippi Media Group is committed to Clarksdale and wireless broadband could play a huge role in allowing the indigenous arts and commerce to thrive in the Delta."

Objective 2.2 Build the Delta Development Highway System (DDHS)

DRA is continuing to develop this initiative and is currently working with the eight states' Departments of Transportation and Federal Highway Administration.

Annual Economic Impacts of the Completion of the DDHS	
Benefit from Increased Travel Efficiency	$1.1 billion in personal income
Benefit from Increased Economic Development Opportunities	$2.4 billion
Total Economic Benefit	$3.5 billion in personal income
Employment (FTE)	130,000
Construction Jobs	104,000

A fundamental and critical element of the Delta's future economic development is a safe and efficient road transportation system. With that understanding, the DRA board of directors has identified transportation as one of the Authority's three main policy development areas. In response, the DRA has initiated an ambitious initiative to plan and secure funding for a Delta Development Highway System (DDHS) that spans its 252 counties and parishes.

During a planning retreat in February 2005, the Delta Regional Authority 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://www.dra.gov/programs/transportation/.

Objective 2.3 Expand intermodal and multimodal transportation nodes and networks.

ASSETS, NEEDS AND RECOMMENDATIONS" REPORT TO CONGRESS AND SECRETARY OF TRANSPORTATION

Multimodal transportation has long played a key role in the Delta region's economy. The navigable waters of the Mississippi river, and its historical network of wagon, rail, and – more recently – trucking ports, has been the lifeblood of the nation's north-south connections. However, for the Delta to advance in today's "just-in-time" environment it must develop an efficient intermodal transportation network. Particularly critical are facilities and equipment that can accommodate containerized cargo.

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.

The DRA's role as a planner, a coordinator of resources and an advocate for the Delta makes this a perfect fit. 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.

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.

The report is a definitive because of an intense outreach effort, and 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. 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.

Objective 2.4 Expand the region's energy infrastructure and production capacity.

Also critical to the long-term growth of the region, as well as for the nation, is access to dependable and affordable energy resources. The DRA is committed to ensuring the region and the nation possess enough energy to meet current and future needs. This includes traditional fossil fuel sources such as oil, gas, and coal, as well as less polluting sources such as nuclear, bio-fuels, and renewable energy.

The Delta Green Jobs Initiative takes a three-pronged approach that involves (1) data gathering, (2) developing federal-level support systems, and (3) tapping into state-level green economy expertise.

Phase I: Creation of Delta Green Jobs Data Book

Phase II: Creation and convening of Delta Green Jobs Inter-Agency Working Group

Phase III: Creation and convening of Delta Green Jobs Advisory Committee

In Phase I, Southern Growth Policies Board (SGPB) will create a Delta Green Jobs Data Book that will (1) summarize the components of the green economy and the opportunities in the Delta, (2) provide data on the green economy in the U.S. and the Delta region, and

(3) identify key state legislation, initiatives, and leaders related to the green economy in each state.

The data gathering will take the form of a literature review of current green jobs-related publications in addition to analysis of available green jobs data. The data will cover areas such as current energy use, projected future energy needs, current numbers of green jobs and projected number of green jobs.

In Phase II, DRA and SGPB will work to create a federal inter-agency working group consisting of the:

- U.S. Department of Agriculture/Rural Development;
- U.S. Department of Energy/Energy Efficiency & Renewable Energy;
- U.S. Department of Commerce/Economic Development Administration; and the
- Environmental Protection Agency.

Each of these agencies has a role in fostering the development of green jobs in many different areas including: energy efficiency, renewable energy production, green building, and green component manufacturing. The working group will be key in identifying green job opportunities in the Delta and tapping into the federal resources to make those opportunities come to fruition.

In Phase III, State-level expertise will be tapped for green jobs in the Delta through the creation and convening of the Delta Green Jobs Advisory Committee. Akin to the Health Advisory Committee created by DRA for their *Growing A Healthy Workforce in the Delta* project, the Green Jobs Advisory Committee will bring experts from across the Delta region to provide insight and oversight of the initiative. These experts will have local knowledge of what's already occurring in the region in the area of green jobs, what areas of opportunities need to be pursued, and the assets and hurdles associated with reaching those opportunities. One of the primary roles of the committee will be to develop a plan for future Delta Green Jobs Initiative projects.

Program Goal Three: Create sustainable communities within the Delta

Objective 3.1: Enhance the quality of place of Delta Communities.

INNOVATIVE READINESS TRAINING

In July 2009, the Delta Regional Authority partnered with the Department of Defense for its program called Innovative Readiness Training. The IRT program gives the military the ability to train its medical personnel by providing medical care in rural, underserved areas.

The communities of Clarksdale, Mississippi, and Hayneville, Alabama, were the two projects in the DRA region selected by the Pentagon for the 2009 IRT program. For two weeks, Army Reserve units lived in these communities and provided free medical assistance to citizens who were in need of medical care. In Clarksdale, 792 patients were provided dental and vision exams which included distributing 152 eye glasses to adults and children. Veterinarian services treated over 450 dogs and cats from the local animal shelter. In Hayneville, there were 850 patients including 90 children seen for primary care issues with over 400 pharmacy prescriptions.

Upcoming communities selected for the July 2011 IRT program are: Helena, Wynne, Marianna, Eudora, and McGhee, Arkansas. The selected five towns will be receiving medical services from general practitioners to dentist to veterinary care for pets. Additionally, Hayneville, Alabama will again receive the medical program in the summer of 2011. Since selection of the five towns in Arkansas, DRA has been involved in the planning process with the Military and the selected towns. Two planning meetings have been held in order to determine site selection, medical needs, and other logisictics.

The DRA's role is to assist in the coordination of these projects from the application and planning stages to the project implementation between the communities and the military. Additionally, DRA is on the advisory board of the IRT program.

IRT Background

The purpose of the Civil-Military Programs is to improve military readiness while simultaneously providing quality services to communities throughout America. These programs are in keeping with a long military tradition, leveraging training to benefit both units and their home communities. They are strongly supported by The Department of Defense (DOD), Congress, the states and communities.

The military services have always brought to bear their extensive resources to help meet some of the country's civil needs. In recent years, DOD has realized the simultaneous benefits these civil-military programs can offer to military readiness. This document reviews the resurgence of these dual-benefit programs.

Objective 3.2: Promote innovations and diversification within local and regional economies.

DRA partners with local and regional stakeholders in a variety of ways. Congress has identified a key partnership for the Authority in the forty-five Local Development Districts that serve within the DRA footprint. DRA provides technical assistance funds to each of the LDDs so that their efforts to promote the activities of the Authority as well as provide technical assistance to grantees are sufficiently rewarded.

Many of the LDDs and some local government entities have taken advantage of the opportunity afforded by the DRA grant program to acquire or upgrade their GIS capabilities. By promoting this type of technology, these agencies are better able to provide fundamental services to their constituents.

Objective 3.3: Support growth-oriented entrepreneurship.

Traditional economic development philosophy emphasizes industrial recruitment as the most important role for the economic development practitioner. There is an emerging consensus, however, that other avenues for economic growth and vitality are just as essential—especially in rural communities lacking the key attributes sought by selectors and recruitment prospects. In most communities, plentiful economic development opportunities lie close to home.

To demonstrate this objective, in fiscal year 2010, DRA is continuing to fund entrepreneurial training projects with DRA and RCAP funding. Southern Illinois University in Carbondale Illinois is one such recipient of RCAP funding and is completing their second year of Operation Bootstrap – Entrepreneurial Training program.

Southern Illinois University Carbondale's Entrepreneurship Center proposed to launch an entrepreneurial business training program for low- to moderate-income residents in the state's 16 Delta counties. The overall goal during the first year of funding was to launch at least 30 small businesses in the impoverished southern Illinois Delta region.

In total, DRA's initial investment of $200,000 in SIUC and the 16 southern Illinois Delta counties produced a combined economic impact of:

- 66 trained entrepreneurs;
- Launching a minimum of 26 businesses (awarded seed capital);
- Investing a total of $90,000 in southern Illinois businesses;
- With at least 1 job per start-up company; and
- Additional leveraged funding if obtained by graduate (currently tracking).

The second year of funding is currently underway and results from this class are anticipated to exceed the first year.

Objective 3.4: Foster local leadership.

LEADERSHIP DEVELOPMENT – THE DELTA LEADERSHIP INSTITUTE

The most important ingredient of successful community growth is leadership. Communities with assets sufficient to achieve critical mass may still not live up to their potential. They may fail – despite these advantages – to create an economic climate that attracts private investment. When this is the case, it is because of a lack of leadership. Similarly, there are many examples where asset-poor communities have overcome adversity through bold and progressive leaders.

DRA's Delta Leadership Institute (www.deltaleadership.org) 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, Miss. 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 fifth class of DLI.

Many of the 252 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.

The Delta Leadership Institute is designed to improve the decisions made by leaders across the region. Each of the eight governors and the FCC nominate five people per year for the program, resulting in a class of 45 Delta leaders. Last 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 Delta Leadership Institute will go back to their communities and help lead local leadership programs, multiplying the number of people in the region who receive leadership training.

In June of 2010 Delta Leadership Institute graduated 43 members of the 2009-2010 Executive Academy class. Those 43 members completed five sessions of leadership training, skill building, project development and implementation. The first session was held in Tuscaloosa, Alabama on the campus of the University of Alabama. This session is an introduction to DLI and the Executive Academy, the second session was held in Memphis, Tennessee in October. The second session focused on creating critical mass communities, health as an economic engine and a visit to the Stax Museum. In January of 2010 the class met in New Orleans, Louisiana and the focus was on transportation for the region with a focus on highways and learning to communicate effectively. Additionally, the class took a field trip to look at the wetlands and coastal erosion below New Orleans. In April the class met in St. Louis, Missouri in conjunction with the DRA Annual Conference, where the focus was on leadership, and working with other federal agencies. The last session was in Biloxi, Mississippi in June for the project presentations and graduation.

In April of 2011, DRA Board Members will be asked to begin their process of DLI selections for the 2011-2012 class. These selections will be due to DRA by June 3, 2011.

Objective 3.5 Build and augment basic infrastructure.

Recognizing the fundamental importance of basic infrastructure to the economic development of the Delta, Congress charged the DRA with investing in safe and reliable water/wastewater systems, as well as decent and affordable housing. No amount of technology and training will advance the region if its people do not have access to basic infrastructure. As a consequence, the DRA has invested almost $20 million toward basic infrastructure through its federal grant program.

Basic public and transportation infrastructure project funding totaled $9,734,131.25, which is 92.74 percent (well above the 50 percent required by statute) of the total fiscal year 2010 project funding allocation of $10,496,000.

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 Ave., Suite 400, Clarksdale, Mississippi 38614, or by email to fcohen@dra.gov.

SECTION 3 - FINANCIAL SECTION

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Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of Delta Regional Authority as of and for the years ended September 30, 2010 and 2009, 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 audits.

We conducted our audits 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 and OMB Bulletin No. 07-04 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Delta Regional Authority as of September 30, 2010 and 2009, and its net cost, changes in net position and resources (budgetary and non-budgetary) for the years 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 November 15, 2010, 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 assessing 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 basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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. Such information 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 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

November 15, 2010

FINANCIAL STATEMENTS

DELTA REGIONAL AUTHORITY
BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

	2010	2009
ASSETS		
Intragovernmental		
Fund balance with Treasury	$ 35,943,804	$ 33,303,825
Cash	1,289,521	1,364,905
Advances and prepayments	408	-
Receivables	928,234	145,436
TOTAL ASSETS	$ 38,161,967	$ 34,814,166
LIABILITIES		
Intragovernmental payable	$ 239,966	$ 255,564
Accounts payable	102,393	70,772
Grants and other payables	1,866,782	1,142,163
TOTAL LIABILITIES	2,209,141	1,468,499
NET POSITION		
Unexpended appropriations/state funds	35,975,258	33,359,725
Cumulative results of operations	(22,432)	(14,058)
TOTAL NET POSITION	35,952,826	33,345,667
TOTAL LIABILITIES AND NET POSITION	$ 38,161,967	$ 34,814,166

See Notes to Financial Statements.

DELTA REGIONAL AUTHORITY
STATEMENTS OF NET COST
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
PROGRAM COSTS		
Economic Development		
Intragovernmental gross costs	$ 86,684	$ 82,730
Less intragovernmental earned revenue	-	-
Intragovernmental net costs	86,684	82,730
Gross costs with the public	14,131,347	10,724,698
Less earned revenues from the public	20,331	212,041
Net costs with the public	14,111,016	10,512,657
TOTAL NET PROGRAM COSTS	14,197,700	10,595,387
NET COST OF OPERATIONS	$ 14,197,700	$ 10,595,387

See Notes to Financial Statements.

DELTA REGIONAL AUTHORITY
STATEMENTS OF CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	
	Cumulative Results of Operations	Unexpended Appropriations/ Funds
NET POSITION, BEGINNING BALANCE	$ (14,058)	$ 33,359,725
BUDGETARY FINANCING SOURCES		
Appropriations received	-	13,000,000
Appropriations used	10,396,232	(10,396,232)
OTHER FINANCING SOURCES		
Cost of operations absorbed by member states and others	-	787,706
Cost of operations absorbed by RCAP	-	2,997,152
Imputed financing from costs absorbed by others	20,001	-
Disbursements of RCAP funds	2,902,437	(2,902,437)
Disbursements of funds provided by member states and others	870,656	(870,656)
TOTAL FINANCING SOURCES	14,189,326	2,615,533
NET COST OF OPERATIONS	14,197,700	-
NET CHANGE	(8,374)	2,615,533
NET POSITION, ENDING BALANCE	$ (22,432)	$ 35,975,258

See Notes to Financial Statements.

2009	
Cumulative Results of Operations	Unexpended Appropriations/ Funds
$ (36,590)	$ 28,862,986
-	13,000,000
8,613,563	(8,613,563)
-	786,362
-	1,307,105
21,191	-
1,232,105	(1,232,105)
751,060	(751,060)
10,617,919	4,496,739
10,595,387	-
22,532	4,496,739
$ (14,058)	$ 33,359,725

DELTA REGIONAL AUTHORITY
STATEMENTS OF RESOURCES (BUDGETARY AND NON-BUDGETARY)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010				
	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
	Budgetary	Non-Budgetary	Non-Budgetary	Non-Budgetary	Budgetary and Non-Budgetary
BUDGETARY RESOURCES					
Unobligated balance, beginning of year	$ 18,200,083	$ 304,709	$ 22,412	$ -	$ 18,527,204
Recoveries of prior year obligations	1,225,713	-	-	-	1,225,713
Budget authority					
Appropriations received	13,000,000	-	-	-	13,000,000
Spending authority from offsetting collections					
Earned					
Collected	23,598	882,421	2,997,152	-	3,903,171
Change in unfilled customer orders					
Advance received	(20,331)	-	-	-	(20,331)
Subtotal	13,003,267	882,421	2,997,152	-	16,882,840
TOTAL RESOURCES (BUDGETARY AND NON-BUDGETARY)	$ 32,429,063	$ 1,187,130	$ 3,019,564	$ -	$ 36,635,757
STATUS OF BUDGETARY RESOURCES					
Obligations incurred					
Direct	$ 23,694,933	$ -	$ -	$ -	$ 23,694,933
Reimbursable	19,631	-	-	-	19,631
	23,714,564	-	-	-	23,714,564
Unobligated balances/unexpended funds					
Apportioned	7,291,624	-	-	-	7,291,624
Unexpended funds	-	316,474	22,412	-	338,886
Unobligated balance not available	1,422,875	-	-	-	1,422,875
TOTAL STATUS OF BUDGETARY RESOURCES	$ 32,429,063	$ 316,474	$ 22,412	$ -	$ 32,767,949
CHANGE IN OBLIGATED BALANCES					
Obligated balance, net, beginning of year	$ 15,103,743	$ 176,355	$ 1,006,865	$ -	$ 16,286,963
Obligations incurred	23,714,564	870,656	2,997,152	-	27,582,372
Gross outlays	(10,363,289)	(866,523)	(2,210,921)	-	(13,440,733)
Recoveries of prior year unpaid obligations, actual	(1,225,713)	-	-	-	(1,225,713)
Obligated balance, net, end of year					
Undelivered orders	27,153,531	-	-	-	27,153,531
Accounts payable	75,774	180,488	1,793,096	-	2,049,358
Total, unpaid obligated balance, net, end of year	$ 27,229,305	$ 180,488	$ 1,793,096	$ -	$ 29,202,889
NET OUTLAYS					
Gross outlays	$ 10,363,289	$ 866,523	$ 2,210,921	$ -	$ 13,440,733
Offsetting collections	(3,267)	(882,421)	(2,997,152)	-	(3,882,840)
NET OUTLAYS	$ 10,360,022	$ (15,898)	$ (786,231)	$ -	$ 9,557,893

See Notes to Financial Statements

2009				
Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
Budgetary	Non-Budgetary	Non-Budgetary	Non-Budgetary	Budgetary and Non-Budgetary
$ 14,903,467	$ 184,122	$ 32,697	$ -	$ 15,120,286
146,267	-	-	-	146,267
13,000,000	-	-	-	13,000,000
212,241	871,647	1,307,105	-	2,390,993
(212,041)	-	-	-	(212,041)
13,000,200	871,647	1,307,105	-	15,178,952
$ 28,049,934	$ 1,055,769	$ 1,339,802	$ -	$ 30,445,505
$ 9,670,607	$ -	$ -	$ -	$ 9,670,607
179,244	-	-	-	179,244
9,849,851	-	-	-	9,849,851
18,144,713	-	-	-	18,144,713
-	304,709	22,412	-	327,121
55,370	-	-	-	55,370
$ 28,049,934	$ 304,709	$ 22,412	$ -	$ 28,377,055
$ 14,351,997	$ 263,895	$ 987,769	$ -	$ 15,603,661
9,849,851	751,060	1,317,390	-	11,918,301
(8,951,838)	(838,600)	(1,298,294)	-	(11,088,732)
(146,267)	-	-	-	(146,267)
15,084,915	-	-	-	15,084,915
18,828	176,355	1,006,865	-	1,202,048
$ 15,103,743	$ 176,355	$ 1,006,865	$ -	$ 16,286,963
$ 8,951,838	$ 838,600	$ 1,298,294	$ -	$ 11,088,732
(200)	(870,677)	(1,307,105)	-	(2,177,982)
$ 8,951,638	$ (32,077)	$ (8,811)	$ -	$ 8,910,750

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 252 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 Authority is a party to allocation transfers with other federal agencies as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations and budget apportionments are derived. The Authority allocates funds, as the parent, to the United States Department of Agriculture (USDA) and the Economic Development Administration (EDA).

Basis of Presentation

These basic 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 basic statements, which include a balance sheet, statement of net cost, statement of changes in net position and statement of resources (budgetary and non-budgetary). The balance sheets present, as of September 30, 2010 and 2009, 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 resources (budgetary and non-budgetary) 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 resources (budgetary and non-budgetary) 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*. DRA also had a reimbursable agreement with the United States Department of Transportation (DOT) during fiscal years 2010 and 2009.

Cash

At September 30, 2010 and 2009, cash consisted of deposit accounts with several financial institutions.

Effective July 21, 2010, the FDIC's insured limits was permanently set at $250,000. At September 30, 2010, the Authority's cash accounts held with financial institutions were fully insured.

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.

Note 2 – FUND BALANCE WITH TREASURY

DRA's fund balance with treasury comes from appropriations and the reimbursable agreement with DOT. A summary of DRA's fund balance with treasury follows:

	2010	2009
Fund balance with Treasury		
Appropriated fund	$ 35,943,804	$ 33,303,825
Status of fund balance with Treasury		
Unobligated balance		
Available	$ 7,291,624	$ 18,144,712
Unavailable	1,422,875	55,370
Obligated balance not yet disbursed	27,229,305	15,103,743
	$ 35,943,804	$ 33,303,825

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:

	2010	2009
Balance of state funds on hand, beginning of year	$ 326,098	$ 222,504
Current year billed to and received from states	721,286	721,286
Total received from states	$ 1,047,384	$ 943,790
Balance of state funds on hand, end of year	$ 310,295	$ 326,098
Status of state funds		
Unobligated balance	$ 297,189	$ 254,516
Obligated balance not yet disbursed	13,106	71,582
	$ 310,295	$ 326,098

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, 2010 and 2009, this 50% budgetary match requirement of state funds totaled $721,286 for both years. State funds disbursed or accrued for administrative expenditures totaled $767,864 and $689,274 at September 30, 2010 and 2009, respectively. For the years ended September 30, 2010 and 2009, this 50% cumulative match requirement of state funds was overpaid by $380,739 and $208,269, respectively. At September 30, 2010 and 2009, there were excess state funds to carry forward to the next fiscal year of $297,189 and $254,516, 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:

	2010	2009
Liabilities not covered by budgetary resources		
Leave liability (federal)	$ 22,433	$ 14,056
Leave liability (state)	43,792	64,486
Accounts payable (state)	66,696	70,522
Deferred revenue (state)	70,000	41,347
Inter-authority payable to state and other (RCAP)	94,715	-
Grants payable (RCAP)	1,698,381	1,006,865
Total liabilities not covered by budgetary resources	1,996,017	1,197,276
Liabilities covered by budgetary resources		
Accounts payable	35,697	250
Payroll and leave liability	32,176	15,409
Intragovernmental payable	239,966	255,564
Total liabilities covered by budgetary resources	307,839	271,223
Total liabilities	2,303,856	1,468,499
Elimination of inter-authority payable	(94,715)	-
	$ 2,209,141	$ 1,468,499

NOTE 6 – OTHER LIABILITIES

A summary of other liabilities at September 30, follows:

	2010	2009
Federal		
Accrued funded payroll and leave - current	$ 32,176	$ 15,409
Accrued unfunded leave - noncurrent	22,433	14,056
Total federal	54,609	29,465
State and Other		
Accrued leave	43,792	64,486
Deferred revenue	70,000	41,347
Total state and other	113,792	105,833
Rural Community Assistance Program		
Inter-authority payable to state and other	94,715	-
Grants payable	1,698,381	1,006,865
Total Rural Community Assistance Program	1,793,096	1,006,865
	1,961,497	1,142,163
Elimination	(94,715)	-
	$ 1,866,782	$ 1,142,163

NOTE 7 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The direct obligations are obligations incurred against amounts apportioned under category A and category B on the latest SF 132. The reimbursable obligations are those incurred against the reimbursable agreements with DOT. A summary of these obligations at September 30, follows:

	2010	2009
Direct - category A	$ 1,244,260	$ 1,378,960
Reimbursable - category A	19,631	179,244
Direct - category B	22,450,673	8,291,647
Total obligations	$ 23,714,564	$ 9,849,851

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 totaled $1,996,017, and the increase in components requiring resources in future periods totaled $8,377 at September 30, 2010. Liabilities not covered by budgetary resources totaled $1,197,276, and the decrease in components generating resources in future periods totaled $19,257 at September 30, 2009. 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.

Future minimum lease payments at September 30, 2010, were:

2011	$ 84,824
2012	90,479
2013	96,135
2014	96,135
2015	96,135
After 5 years	144,203
Total	$ 607,911

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 $101,024 and $101,043 for the years ended September 30, 2010 and 2009, 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 were required to contribute 7.25% of their annual covered salary through June 30, 2010, and are required to contribute 9.00% of their annual covered salary effective July 1, 2010. The Authority is required to contribute at an actuarially determined rate which was 11.85% of annual covered payroll through June 30, 2009 and 12.00% of annual covered payroll effective July 1, 2009 through June 30, 2012. 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, 2010, 2009 and 2008 were $71,519, $84,492 and $78,612, respectively, which equaled the required contributions for each year.

FERS members are required to contribute 0.80% of their annual covered salary, and the Authority was required to contribute 11.2% of annual covered payroll through September 30, 2010. The Authority's contributions to FERS for the years ended September 30, 2010, 2009 and 2008 were $47,730, $52,576 and $56,304, 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 OPERATIONS (PROPRIETARY) TO BUDGET

	2010	2009
RESOURCES USED TO FINANCE ACTIVITIES		
BUDGETARY RESOURCES OBLIGATED		
Obligations incurred	$ 23,714,564	$ 9,849,851
Less spending authority from offsetting collections and recoveries	1,228,980	146,466
Net obligations	22,485,584	9,703,385
OTHER RESOURCES		
Imputed financing from costs absorbed by others	20,001	21,191
Cost of operations absorbed by member states and others	775,941	665,775
Cost of operations absorbed by RCAP	2,997,152	1,317,390
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	26,278,678	11,707,741
RESOURES 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	12,089,355	1,093,097
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	14,189,323	10,614,644
COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS		
Increase (decrease) in annual leave liability	8,377	(19,257)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	$ 14,197,700	$ 10,595,387

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 15, 2010, which is the date the basic financial statements were available to be issued.

NOTE 14 – EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

Budgetary resources made available to DRA include current appropriations, unobligated appropriations and recoveries of prior year obligations. For FY 2009, no material differences exist between the amounts on the statement of budgetary resources and the amounts in the FY 2011 President's budget which are rounded to the nearest million. As the FY 2012 President's budget is not yet available, comparison between the statement of budgetary resources and the actual FY 2010 data in the FY 2012 budget cannot be performed.

SUPPLEMENTARY INFORMATION

DELTA REGIONAL AUTHORITY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010

	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
ASSETS					
Intragovernmental					
Fund balance with Treasury	$ 35,943,804	$ -	$ -	$ -	$ 35,943,804
Cash	-	402,247	887,274	-	1,289,521
Advances and prepayments	408	-	-	-	408
Receivables	-	94,715	928,234	(94,715)	928,234
TOTAL ASSETS	$ 35,944,212	$ 496,962	$ 1,815,508	$ (94,715)	$ 38,161,967
LIABILITIES					
Intragovernmental payable	$ 239,966	$ -	$ -	$ -	$ 239,966
Accounts payable	35,697	66,696	-	-	102,393
Grants and other payables	54,609	113,792	1,793,096	(94,715)	1,866,782
TOTAL LIABILITIES	330,272	180,488	1,793,096	(94,715)	2,209,141
NET POSITION					
Unexpended appropriations/state funds	35,636,372	316,474	22,412	-	35,975,258
Cumulative results of operations	(22,432)	-	-	-	(22,432)
TOTAL NET POSITION	35,613,940	316,474	22,412	-	35,952,826
TOTAL LIABILITIES AND NET POSITION	$ 35,944,212	$ 496,962	$ 1,815,508	$ (94,715)	$ 38,161,967

DELTA REGIONAL AUTHORITY
COMBINING BALANCE SHEET
SEPTEMBER 30, 2009

	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
ASSETS					
Intragovernmental					
Fund balance with Treasury	$ 33,303,825	$ -	$ -	$ -	$ 33,303,825
Cash	-	481,064	883,841	-	1,364,905
Receivables	-	-	145,436	-	145,436
TOTAL ASSETS	$ 33,303,825	$ 481,064	$ 1,029,277	$ -	$ 34,814,166
LIABILITIES					
Intragovernmental payable	$ 255,564	$ -	$ -	$ -	$ 255,564
Accounts payable	250	70,522	-	-	70,772
Grants and other payables	29,465	105,833	1,006,865	-	1,142,163
TOTAL LIABILITIES	285,279	176,355	1,006,865	-	1,468,499
NET POSITION					
Unexpended appropriations/state funds	33,032,604	304,709	22,412	-	33,359,725
Cumulative results of operations	(14,058)	-	-	-	(14,058)
TOTAL NET POSITION	33,018,546	304,709	22,412	-	33,345,667
TOTAL LIABILITIES AND NET POSITION	$ 33,303,825	$ 481,064	$ 1,029,277	$ -	$ 34,814,166

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF NET COST
YEAR ENDED SEPTEMBER 30, 2010

	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
PROGRAM COSTS					
Economic Development					
Intragovernmental gross costs	$ 86,684	$ -	$ -	$ -	$ 86,684
Less intragovernmental earned revenue	-	-	-	-	-
Intragovernmental net costs	86,684	-	-	-	86,684
Gross costs with the public	10,358,254	870,656	2,997,152	(94,715)	14,131,347
Less earned revenues from the public	20,331	-	-	-	20,331
Net costs with the public	10,337,923	870,656	2,997,152	(94,715)	14,111,016
TOTAL NET PROGRAM COSTS	10,424,607	870,656	2,997,152	(94,715)	14,197,700
NET COST OF OPERATIONS	$ 10,424,607	$ 870,656	$ 2,997,152	$ (94,715)	$ 14,197,700

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF NET COST
YEAR ENDED SEPTEMBER 30, 2009

	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
PROGRAM COSTS					
Economic Development					
Intragovernmental gross costs	$ 82,730	$ -	$ -	$ -	$ 82,730
Less intragovernmental earned revenue	-	-	-	-	-
Intragovernmental net costs	82,730	-	-	-	82,730
Gross costs with the public	8,741,533	751,060	1,317,390	(85,285)	10,724,698
Less earned revenues from the public	212,041	-	-	-	212,041
Net costs with the public	8,529,492	751,060	1,317,390	(85,285)	10,512,657
TOTAL NET PROGRAM COSTS	8,612,222	751,060	1,317,390	(85,285)	10,595,387
NET COST OF OPERATIONS	$ 8,612,222	$ 751,060	$ 1,317,390	$ (85,285)	$ 10,595,387

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2010

	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	$ (14,058)	$ 33,032,604	$ -	$ 304,709	$ -	$ 22,412	$ -	$ -	$ (14,058)	$ 33,359,725
BUDGETARY FINANCING SOURCES										
Appropriations received	-	13,000,000	-	-	-	-	-	-	-	13,000,000
Appropriations used	10,396,232	(10,396,232)	-	-	-	-	-	-	10,396,232	(10,396,232)
OTHER FINANCING SOURCES										
Cost of operations absorbed by member states and others	-	-	-	882,421	-	-	-	(94,715)	-	787,706
Cost of operations absorbed by RCAP	-	-	-	-	-	2,997,152	-	-	-	2,997,152
Imputed financing from costs absorbed by others	20,001	-	-	-	-	-	-	-	20,001	-
Disbursements of RCAP funds	-	-	-	-	2,997,152	(2,997,152)	(94,715)	94,715	2,902,437	(2,902,437)
Disbursements of funds provided by member states and others	-	-	870,656	(870,656)	-	-	-	-	870,656	(870,656)
TOTAL FINANCING SOURCES	10,416,233	2,603,768	870,656	11,765	2,997,152	-	(94,715)	-	14,189,326	2,615,533
NET COST OF OPERATIONS	10,424,607	-	870,656	-	2,997,152	-	(94,715)	-	14,197,700	-
NET CHANGE	(8,374)	2,603,768	-	11,765	-	-	-	-	(8,374)	2,615,533
NET POSITION, ENDING BALANCE	$ (22,432)	$ 35,636,372	$ -	$ 316,474	$ -	$ 22,412	$ -	$ -	$ (22,432)	$ 35,975,258

DELTA REGIONAL AUTHORITY
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2009

	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	$ (36,590)	$ 28,646,167	$ -	$ 184,122	$ -	$ 32,697	$ -	$ -	$ (36,590)	$ 28,862,986
BUDGETARY FINANCING SOURCES										
Appropriations received	-	13,000,000	-	-	-	-	-	-	-	13,000,000
Appropriations used	8,613,563	(8,613,563)	-	-	-	-	-	-	8,613,563	(8,613,563)
OTHER FINANCING SOURCES										
Cost of operations absorbed by member states and others	-	-	-	871,647	-	-	-	(85,285)	-	786,362
Cost of operations absorbed by RCAP	-	-	-	-	-	1,307,105	-	-	-	1,307,105
Imputed financing from costs absorbed by others	21,191	-	-	-	-	-	-	-	21,191	-
Disbursements of RCAP funds	-	-	-	-	1,317,390	(1,317,390)	(85,285)	85,285	1,232,105	(1,232,105)
Disbursements of funds provided by member states and others	-	-	751,060	(751,060)	-	-	-	-	751,060	(751,060)
TOTAL FINANCING SOURCES	8,634,754	4,386,437	751,060	120,587	1,317,390	(10,285)	(85,285)	-	10,617,919	4,496,739
NET COST OF OPERATIONS	8,612,222	-	751,060	-	1,317,390	-	(85,285)	-	10,595,387	-
NET CHANGE	22,532	4,386,437	-	120,587	-	(10,285)	-	-	22,532	4,496,739
NET POSITION, ENDING BALANCE	$ (14,058)	$ 33,032,604	$ -	$ 304,709	$ -	$ 22,412	$ -	$ -	$ (14,058)	$ 33,359,725

DELTA REGIONAL AUTHORITY
COMBINING RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET
YEAR ENDED SEPTEMBER 30, 2010

	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
RESOURCES USED TO FINANCE ACTIVITIES					
BUDGETARY RESOURCES OBLIGATED					
Obligations incurred	$23,714,564	$ -	$ -	$ -	$ 23,714,564
Less spending authority from offsetting collections and recoveries	1,228,980	-	-	-	1,228,980
Net obligations	22,485,584	-	-	-	22,485,584
OTHER RESOURCES					
Imputed financing from costs absorbed by others	20,001	-	-	-	20,001
Cost of operations absorbed by member states	-	870,656	-	(94,715)	775,941
Cost of operations absorbed by others	-	-	2,997,152	-	2,997,152
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	22,505,585	870,656	2,997,152	(94,715)	26,278,678
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	12,089,355	-	-	-	12,089,355
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	10,416,230	870,656	2,997,152	(94,715)	14,189,323
COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS					
Increase in annual leave liability	8,377	-	-	-	8,377
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	$10,424,607	$ 870,656	$ 2,997,152	$ (94,715)	$ 14,197,700

DELTA REGIONAL AUTHORITY
COMBINING RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET
YEAR ENDED SEPTEMBER 30, 2009

	Federal	State and Other	Rural Community Assistance Program	Eliminations	Combined
RESOURCES USED TO FINANCE ACTIVITIES					
BUDGETARY RESOURCES OBLIGATED					
Obligations incurred	$ 9,849,851	$ -	$ -	$ -	$ 9,849,851
Less spending authority from offsetting collections and recoveries	146,466	-	-	-	146,466
Net obligations	9,703,385	-	-	-	9,703,385
OTHER RESOURCES					
Imputed financing from costs absorbed by others	21,191	-	-	-	21,191
Cost of operations absorbed by member states	-	751,060	-	(85,285)	665,775
Cost of operations absorbed by others	-	-	1,317,390	-	1,317,390
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	9,724,576	751,060	1,317,390	(85,285)	11,707,741
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	1,093,097	-	-	-	1,093,097
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	8,631,479	751,060	1,317,390	(85,285)	10,614,644
COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS					
Decrease in annual leave liability	(19,257)	-	-	-	(19,257)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	$ 8,612,222	$ 751,060	$ 1,317,390	$ (85,285)	$ 10,595,387

DELTA REGIONAL AUTHORITY
SCHEDULE OF EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2010

	Paid From			
Description	Federal Funds	State and Other Funds	Rural Community Assistance Program	Total All Funds
Grants, subsidies and contributions	$ 9,157,374	$ -	$ 2,816,670	$ 11,974,044
Consulting and other services	106,142	-	-	106,142
Employee benefits	-	85,843	-	85,843
Personnel benefits	184,585	-	-	184,585
Personnel services	814,797	363,917	29,309	1,208,023
Seminars and meetings	-	-	36,776	36,776
Continuing education	-	18,521	-	18,521
Travel and transportation of persons	67,572	66,624	8,382	142,578
Communications	-	72,468	7,749	80,217
Rent, communications and utilities	28,227	-	-	28,227
Supplies and materials	1,881	-	-	1,881
Printing and reproduction	1,947	-	-	1,947
Office expense	355	176,149	98,266	274,770
Washington, D.C. office expense	-	20,784	-	20,784
State coordinators' office	-	66,350	-	66,350
	$ 10,362,880	$ 870,656	$ 2,997,152	$ 14,230,688

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, 2010, 2009 AND 2008

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

	2010			2009			2008		
	DRA Obligated	Total Project Funds	DRA%	DRA Obligated	Total Project Funds	DRA%	DRA Obligated	Total Project Funds	DRA%
A. Basic Public Infrastructure	$ 7,395,838	$ 23,661,446	31.3%	$ 6,718,570	$ 23,661,446	28.4%	$ 5,755,092	$ 24,141,948	23.8%
B. Transportation Infrastructure	2,417,717	13,855,778	17.4%	2,219,787	13,855,448	16.0%	1,935,223	6,842,796	28.3%
C. Business Development	100,000	6,643,670	1.5%	314,000	6,643,670	4.7%	106,225	306,825	34.6%
D. Work Development	70,000	697,000	10.0%	509,500	697,000	73.1%	167,578	436,578	38.4%
E. Other	253,536	20,530,332	1.2%	786,287	20,182,868	3.9%	-	-	-
	$ 10,237,091	$ 65,388,226	15.7%	$ 10,548,144	$ 65,040,432	16.2%	$ 7,964,118	$ 31,728,147	25.1%

	2010			2009			2008		
	DRA Obligated	State Allocation	State %	DRA Obligated	State Allocation	State %	DRA Obligated	State Allocation	State %
State Allocations:									
Alabama	$ 1,231,684	$ 1,135,667	10.8%	$ 1,083,187	$ 1,083,187	10.3%	$ 834,592	$ 815,508	10.5%
Arkansas	1,715,414	1,618,483	15.4%	1,457,000	1,538,714	14.7%	1,099,817	1,162,119	14.9%
Illinois	423,050	907,904	8.6%	852,728	886,912	8.5%	662,843	662,843	8.5%
Kentucky	558,754	960,384	9.1%	1,052,231	917,350	8.7%	830,000	682,316	8.8%
Louisiana	1,933,363	1,933,363	18.4%	2,515,798	2,365,798	22.5%	1,815,976	1,602,976	20.5%
Mississippi	1,499,361	1,537,664	14.6%	1,393,979	1,419,059	13.5%	1,340,860	1,145,762	14.7%
Missouri	1,548,607	1,241,886	11.9%	1,248,433	1,175,552	11.2%	737,300	884,830	11.4%
Tennessee	1,326,858	1,160,858	11.2%	944,788	1,109,427	10.6%	642,730	832,644	10.7%
	$ 10,237,091	$ 10,496,209	100.0%	$ 10,548,144	$ 10,495,999	100.0%	$ 7,964,118	$ 7,788,998	100.0%

SECTION 4 - OTHER ACCOMPANYING INFORMATION

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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*

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, 2010, and have issued our report thereon dated November 15, 2010. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of DRA's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses as item 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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* or OMB Bulletin No. 07-04.

We also noted certain matters that we reported to the Authority's management in a separate letter dated November 15, 2010.

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

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 the Congress of the United States of America, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 15, 2010

DELTA REGIONAL AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2010

Reference Number	Finding
2010-01	**Design Deficiency – Monitoring (Significant Deficiency)**

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 significantly misstated, and the errors would not be detected by management.

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 acknowledges the necessity for maintaining effective internal control over financial adjustments. To do so would require the addition of trained accounting personnel. With the congressionally mandated budget constraints currently placed on the Authority, the addition of another accounting staff employee is not possible at this time; however, DRA will be acquiring the contractual services of an accounting firm to periodically review and provide any necessary suggestions on the financial adjustments entered by the Authority staff. DRA has always, and will continue, to comply with all financial requirements placed upon the Authority and will immediately take corrective action on the above listed design deficiency.