

**AUDIT REPORT OF THE
OHIO COUNTY DEVELOPMENT AUTHORITY
(A Component Unit of the Ohio County Commission)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**AUDIT REPORT OF THE
OHIO COUNTY DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

PROPRIETARY FUND TYPE

ENTERPRISE FUND

Ohio County Development Authority

**OHIO COUNTY DEVELOPMENT AUTHORITY
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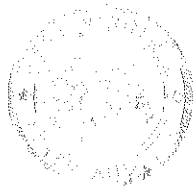
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INTRODUCTORY SECTION

**OHIO COUNTY DEVELOPMENT AUTHORITY
OFFICIALS AND MEMBERS
For the Fiscal Year Ended June 30, 2010**

OFFICE	NAME	TERM	
Authority Officials	David Sims - President	07-20-08 / 07-20-11	
	Nancy Weeks - Vice President	07-20-07 / 07-20-10	
	Greg Stewart - Secretary / Treasurer	07-20-07 / 07-20-10	
	Tom Cerra	07-20-07 / 07-20-10	
	John Lucas	07-20-07 / 07-20-10	
	Terry Sterling	07-20-07 / 07-20-10	
	Andy McKenzie	07-20-07 / 07-20-10	
	Orphy Klempa	07-20-08 / 07-20-11	
	Randy Russell	07-20-08 / 07-20-11	
	Paul Walters	07-20-08 / 07-20-11	
	Raymond Helbling	07-20-09 / 07-20-12	
	Tim McCormick	07-20-09 / 07-20-12	
	Randy Wharton	07-20-09 / 07-20-12	
	Counsel:	Landers Bonenberger	Solicitor, Ohio County Commission
		Lisa Schmitt	Schrader, Byrd & Companion
Kevin Coleman		Schrader, Byrd & Companion	
Donald Tennant		Tennant Law Offices	
Chris Riley		Bailey, Riley, Buch & Harman	
Mike Hooper		Jackson Kelly, PLLC	
Donald Nickerson		Jackson Kelly, PLLC	
Sammie Gee		Jackson Kelly, PLLC	
Taunja Willis Miller		Jackson Kelly, PLLC	
Adam Ennis		Jackson Kelly, PLLC	
Ray Stoner	Jackson Kelly, PLLC		

FINANCIAL SECTION



State of West Virginia

Glen B. Gainer III
State Auditor and
Chief Inspector

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Deputy Chief Inspector

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Ohio County Development Authority
Wheeling, West Virginia 26003

We have audited the accompanying basic financial statements of the Ohio County Development Authority (the Authority), a component unit of the Ohio County Commission, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ohio County Development Authority, as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 should be considered in assessing the results of our audit.

Honorable Members of the
Ohio County Development Authority
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The Management's Discussion and Analysis on pages 4 through 10 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 audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer, III". The signature is written in a cursive style with a small "III" at the end.

Glen B. Gainer, III
West Virginia State Auditor

March 14, 2011

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of our financial condition provides an overview of the Authority's financial activities for this fiscal year. It should be read in conjunction with the Authority's financial statements that follow.

Financial Highlights

- The Authority's total net assets decreased by \$2.9 million. The majority of this can be attributed to the sale of capital assets to reduce the current and long term liabilities during the year.
- Asset numbers reflect a decrease of \$8.2 million mainly from the aforementioned reductions to capital assets.
- Liability figures reflect a decrease of \$5.3 million from payments toward capital loans (long term liabilities) and accounts payable (short-term liabilities) related to capital projects.
- Lease related revenues increased by \$1.3 million from last year. Continued openings and a complete year of revenues from previously opened tenants allow this steady growth.
- The Ohio County Commission contributed \$475,057 to the Authority during the year.
- Additional jobs have been created since last year, bringing the total to an estimated 3,100 permanent jobs.

The Highlands project continues to be a tremendous boost to the local economy and has aided in decreasing local unemployment rates as well as improving the County's total economic outlook. Sixty-Four new businesses have opened at The Highlands to date increasing the site's employment to approximately 3,100 new jobs on a site that was previously vacant land. With each new tenant transaction the authority realizes new property dollars as well as additional TIF dollars. The jobs total is anticipated to reach 5,000 over the next five years. In addition to permanent jobs, the Authority has averaged \$20,000,000 in construction each year and periodically provided as many as 200 construction jobs.

Economic Development must remain a top priority. Census figures continue to show a decline in population for the entire Ohio Valley. If this trend continues, the level and size of county government services will have to decrease. Wheeling Hospital, one of the County's top employers, has reduced employment. Severstal Steel and Arcelor Mittal Steel Corporation have announced cost saving measures which include a reduction in staff. On a positive note, new gas drilling technology has brought additional business and jobs to the area. The focus of economic development and job creation has been centered on attracting destination retail, tourism and distribution. This diversification combined with the longevity of the remaining businesses will determine Ohio County's economic future.

Overview of the financial statements

Our annual report consists of two parts – (1) The Introductory Section, which includes *the Management Discussion and Analysis* (this section). (2) The Basic Financial Statements Section. This section includes the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows to report the Authority's position on the government-wide basis of accounting. It also includes the Notes to the Financial Statements.

The statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

II. Financial Analysis of the County as a Whole

Net assets. Net assets are the differences between the Authority's assets and it's liabilities. The Statement of Net Assets presents the Authority's net assets in three categories. The first category, *Invested in Capital Assets*, are capital assets less accumulated depreciation and any outstanding debt on these assets. The second category, *restricted* represents amounts legally obligated for certain expenses. The final category is *unrestricted*, which are those that are not legally obligated to another entity. Although these funds are not legally restricted, they have been allocated to pay for future encumbrances and are vital to the Authority's budget.

The Authority's *combined* net assets totaled \$81.9 million at June 30, 2010. Most of these net assets were investments in capital assets, \$64.1 million (buildings, land, equipment and other major improvements net of outstanding debt). *Unrestricted* net assets were \$17.8 million at June 30, 2010 which is primarily made up of lease receivables less accounts payable. As previously stated, even though these assets were not legally restricted to a specific purpose, they have been allocated to pay for future encumbrances. The Authority does not budget for future portions of liabilities arising from property, casualty or liability claims nor the entire portion of outstanding loans and leases. However, the Authority does appropriate funds for the current portions due on these liabilities.

Ohio County Development Authority's Net Assets

	Business-type activities	
	06/30/10	06/30/09
Assets:		
Current & other assets	\$ 2,642,934	\$ 3,272,966
Capital assets	145,477,006	152,626,061
Non-current	15,622,039	15,982,730
Total assets	\$ 163,741,979	\$ 171,881,757
Liabilities:		
Current & other liabilities	\$ 7,812,482	\$ 24,898,967
Long-term liabilities	74,002,134	62,185,259
Total liabilities	\$ 81,814,616	\$ 87,084,226
Net Assets :		
Invested in capital assets, net of related debt	\$ 64,062,834	\$ 66,192,129
Restricted	111,743	184,624
Unrestricted	17,752,786	18,420,778
Total net assets	\$ 81,927,363	\$ 84,797,531
Liabilities & Net Assets:		
Total liabilities & net assets	\$ 163,741,979	\$ 171,881,757

Changes in net assets. Changes in net assets consist of the difference between current revenues and expenses and are shown in the Authority's Statement of Revenues, Expenses and Changes in Fund Net Assets. In government-wide financial accounting, these differences note changes to the Authority's total net assets, either investments in capital assets or unrestricted net assets, not equity. An example of this would be capital purchases. They are excluded from expenses in the Statement of Revenues, Expenses and Changes in Fund Net Assets because they are recorded as capital assets. This creates a larger difference between revenues and expenses resulting in a positive change in investments in capital assets.

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Ohio County Development Authority's Change in Net Assets

	Business-type activities	
	06/30/10	06/30/09
Revenues:		
Program revenues:		
Rental / Service Fees	\$ 6,957,529	\$ 5,716,808
Capital contributions	467,215	4,296,748
Gain on debt restructuring	695,070	-
Gain on mineral rights	1,908,389	-
Other	682,928	707,702
Total revenues	\$ 10,711,131	\$ 10,721,258
Expenses:		
Economic development	\$ 4,383,052	\$ 3,423,350
Taxes and Fees	809,438	535,890
Interest - long term debt	3,278,734	2,271,381
Reduction in Assets	5,110,075	566,520
Total expenses	\$ 13,581,299	\$ 6,797,141
Increases in net assets	(2,870,168)	3,924,117
Net assets - beginning	84,797,531	80,873,414
Net assets - ending	\$ 81,927,363	\$ 84,797,531

Business-type activities

The Authority's total revenues were \$10.7 million. 65 percent of the Authority's revenues came from operating lease proceeds while 4.4 percent were derived from capital grants and contributions. These are comprised of proceeds of revenue bonds and local contributions. The remaining revenue consists of royalties from gas / coal lease, a reimbursement for expenses and implied interest on a capital lease agreement.

The total cost of all programs and services was \$13.6 million. The majority of the expenditures can be attributed to the interest on long term debt and the disposition of capital assets. The remaining expenditures are costs incurred from continuing the economic development services for Ohio County.

- As stated earlier, the amount that taxpayers paid for these activities through County taxes was minimal. The majority was paid by:

- Those who directly benefited from the project.
- Capital grants from bond proceeds.
- Other governments and organizations that subsidized certain programs with grants and contributions.
- Other fees from services.
- Proceeds from lending institutions.
- Lease revenues from tenants.
- Proceeds from sale of assets.

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

III. FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As the Authority completed the year, its funds reported combined net assets of \$81.9 million, \$2.9 million less than last year. As noted earlier, the decrease can be attributed to the reduction of capital assets.

In addition, these other changes affecting net assets should be noted:

- Additional petroleum costs will increase expenses for earthwork excavation and constructing buildings.
- An increase in tenants at the Highlands will allow even more property development, which increases property and sales tax revenues.
- The impact of tenants who choose to purchase rather than lease will be immediate. Monies from the sale will be used for additional projects and/ or debt reduction.
- The impact of the ongoing economic downturn will have both negative and positive effects. Tenants and tenant activity may see a continued slow down in sales and growth, however the lack of work for contractors should create more competitive bidding for continued work at the Highlands.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through the years, the Authority has made investments in land and buildings for purposes of economic development. At June 30, 2010, the total investments for assets and improvements currently owned by the Authority totaled \$145.5 million net of depreciation. These assets consist of land, infrastructure, buildings, land improvements and equipment. The 2010 decrease in capital assets (including additions and deductions) was \$7.1 million.

The Authority's fiscal year 2011 capital budget estimates spending \$1 million for capital projects, including infrastructure, additional property purchases and continued land improvements in striving toward the completion of the Highlands Development Project.

Ohio County Development Authority's Capital Assets

	Business-type Activities	
	<u>06/30/10</u>	<u>06/30/09</u>
Land	\$ 58,919,744	\$ 69,248,449
Infrastructure	1,978,915	1,830,199
Buildings	64,744,654	53,885,607
Land Improvements	9,597,600	8,984,428
Machinery & Equipment	169,060	176,341
Construction in Progress	10,067,033	18,501,037
Total capital assets *	\$ 145,477,006	\$ 152,626,061

* Infrastructure, Buildings, Land Improvements and Equipment are net of depreciation. Land and Construction in Progress are non-depreciable assets.

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Debt

At year-end the Authority had a long-term debt of \$76.0 million in notes, bank lines of credit, land leases and advances from the County's General Fund. This represents a \$1.7 million decrease over last year. The decrease is due to less funds borrowed for construction plus additional amounts paid on long term notes.

Ohio County Development Authority's Outstanding Debt

	Business-type Activities	
	06/30/10	06/30/09
Leases	\$ 328,541	\$ 510,968
Notes	72,121,952	64,242,159
Bank line of credit	2,000,000	11,294,749
Advances from General Fund	1,551,645	1,616,859
Total outstanding debt	\$ 76,002,138	\$ 77,664,735

Economic Factors and Next Year's Budget

According to the WV Bureau of Employment Programs, Ohio County's unemployment rate was 9.0 percent in June 2010 versus 8.2 percent for June 2009. The June 2010 rate is slightly higher than the State's rate of 8.6 percent, but lower than the National rate of 9.5 percent.

With each new tenant transaction the Authority realizes new property dollars as well as additional TIF dollars. The following list is the current development tenant status sheet and when projected development is to occur. For confidentiality reasons all tenant names may not be disclosed at this time.

Owner or Tenant	Category of Tenant	Status	Opening Date	Sq. Ft.	Lease or Purchase
Property Opened or Under Construction :					
Cabela's Distribution Center	Distribution	Opened	July 1, 2004	587,000	30 Year Lease
Cabela's Destination Center	Big Box	Opened	August 12, 2004	174,000	Purchase
Applebee's	Restaurant	Opened	December 8, 2005	5,389	Purchase
Bob Evans	Restaurant	Opened	March 1, 2006	5,000	20 Year Lease
Cracker Barrel	Restaurant	Opened	April 10, 2006	10,101	10 Year Lease
Cabela's Distribution Center	Distribution	Opened	July 1, 2006	578,000	30 Year Lease
Target	Big Box Retail	Opened	October 4, 2006	127,603	Purchase
Super Wal-Mart	Big Box Retail	Opened	November 8, 2006	206,500	Purchase
Regis	Big Box Retail	Opened	November 8, 2006		
Subway	Big Box Retail	Opened	November 8, 2006		
DaVi Nails	Big Box Retail	Opened	November 8, 2006		
Optical Center	Big Box Retail	Opened	November 8, 2006		
Wendy's	Restaurant	Opened	December 4, 2006	3,023	10 Year Lease
McDonalds	Restaurant	Opened	December 7, 2006	3,000	10 Year Lease
Eat n' Park	Restaurant	Opened	January 17, 2007	6,425	20 Year Lease
Quizno's	Restaurant	Opened	May 24, 2007	1,500	10 Year Lease
Cold Stone	Specialty	Opened	May 24, 2007	1,500	10 Year Lease
Russell Stover	Specialty	Opened	July 16, 2007	5,040	Purchase
Cheddars	Restaurant	Opened	August 13, 2007	8,000	Purchase
WesBanco	Office	Opened	September 28, 2007	3,391	10 Year Lease
Bed Bath & Beyond	Retail	Opened	October 3, 2007	23,400	10 Year Lease
Books A Million	Retail	Opened	August 23, 2007	16,000	10 Year Lease

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Owner or Tenant	Category of Tenant	Status	Opening Date	Sq. Ft.	Lease or Purchase
Life Touch	Big Box Retail	Opened	October 27, 2007		
Optical Center	Big Box Retail	Opened	October 27, 2007		
Kohls	Retail	Opened	October 3, 2007	68,639	20 Year Lease
Lane Bryant	Retail	Opened	September 1, 2007	5,000	10 Year Lease
Michael's	Retail	Opened	September 9, 2007	17,260	10 Year Lease
Olive Garden	Restaurant	Opened	December 17, 2007	7,400	Purchase
Panera Bread	Restaurant	Opened	February 19, 2008	5,400	10 Year Lease
Petco	Retail	Opened	September 3, 2007	16,000	10 Year Lease
Shoe Show	Retail	Opened	October 12, 2007	8,400	10 Year Lease
TJ Maxx	Retail	Opened	September 9, 2007	26,250	10 Year Lease
Verizon Phone Store	Retail	Opened	November 16, 2007	4,000	5 Year Lease
Bath & Body Works	Retail	Opened	March 31, 2008	3,000	10 Year Lease
Old Navy	Retail	Opened	April 16, 2008	15,000	7 Year Lease
RUE 21	Retail	Opened	June 26, 2008	5,000	10 Year Lease
Justice For Girls	Retail	Opened	July 8, 2008	4,500	10 Year Lease
Dress Barn	Retail	Opened	August 15, 2008	7,500	10 Year Lease
Marquee Cinema	Specialty Retail	Opened	August 8, 2008	53,000	20 Year Lease
AT&T Network Operations	Office	Opened	October 1, 2008	45,000	10 Year Lease
Sleep Outfitters	Retail	Opened	October 10, 2008	4,100	10 Year Lease
Best Buy	Retail	Opened	October 24, 2008	30,000	10 Year Lease
Robinson GM Dealership	Automotive	Opened	January 1, 2009	30,000	Purchase
Indigo Joe's	Restaurant	Opened	March 17, 2009	5,000	10 Year Lease
Robinson Ford / Toyota	Automotive	Opened	June 1, 2009	30,000	Purchase
WV Travel Center	Tourism	Opened	August 1, 2009	1,750	1 Year Lease
Fusion Japanese Steakhouse	Restaurant	Opened	August 13, 2009	5,000	10 Year Lease
Don Tequila's	Restaurant	Opened	November 15, 2009	2,500	10 Year Lease
Wings To Go	Restaurant	Opened	August 26, 2009	1,500	10 Year Lease
Smoker Friendly	Specialty Retail	Opened	October 31, 2009	2,000	10 Year Lease
AT&T Phone Store	Retail	Opened	November 1, 2009	3,500	10 Year Lease
Quaker Steak and Lube	Restaurant	Opened	August 26, 2009	7,500	20 Year Lease
Sheetz	Gas / Convenience	Opened	August 27, 2009	5,500	Purchase
West Liberty State University	Educational	Opened	August 15, 2009	20,000	Min 10 Years
Allstate	Office	Opened	October 1, 2009	1,050	10 Year Lease
H&R Block	Office	Opened	January 1, 2010	1,563	Min 10 Years
Tony's Nails	Specialty Retail	Opened	September 1, 2010	1,700	10 Year Lease
NiNi's Treasures	Specialty Retail	Opened	November 1, 2009	1,380	Min 10 Years
Howards Diamonds	Retail	Under Construction	October 1, 2010	2,400	Min 10 Years
Straub Car Dealership	Automotive	Under Construction	August 1, 2010	30,000	Purchase
Funny Bone/ Fat Fish Blues	Entertainment	Under Construction	October 1, 2011	11,500	10 Year Lease
Hotel	Tourism	Under Construction	December 1, 2012	42,000	Purchase
Subtotal				2,296,164	

**OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Owner or Tenant	Category of Tenant	Status	Opening Date	Sq. Ft.	Lease or Purchase
Confidential	Jewelry	Executed LOI	3rd Quarter 2011	2,000	Min 10 Years
Confidential	Shoe Store	Executed LOI	3rd Quarter 2011	3,000	Min 10 Years
Confidential	Shoe Store	Executed LOI	3rd Quarter 2011	6,500	Min 10 Years
Confidential	Fabric Retail	Executed LOI	3rd Quarter 2011	15,000	Min 10 Years
Wild Escape Theme Park	Recreation	Executed LOI	4th Quarter 2011	300,000	Min 10 Years
Subtotal				326,500	

Property in Discussion :					
Confidential	Restaurant	In Discussion	4th Quarter 2011	3,000	Min 10 Years
Confidential	Restaurant	In Discussion	4th Quarter 2011	1,500	Min 10 Years
Confidential	Restaurant	In Discussion	4th Quarter 2011	1,500	Min 10 Years
Confidential	Restaurant	In Discussion	4th Quarter 2011	6,000	Min 10 Years
Confidential	Men's Apparel	In Discussion	4th Quarter 2011	5,000	Purchase
Confidential	Women's Fashion	In Discussion	4th Quarter 2011	4,000	Min 10 Years
Confidential	Home Goods	In Discussion	4th Quarter 2011	2,000	Min 10 Years
Confidential	Retail	In Discussion	4th Quarter 2011	1,200	Min 10 Years
Confidential	Beauty Supplies	In Discussion	4th Quarter 2011	1,500	Min 10 Years
Confidential	Restaurant	In Discussion	4th Quarter 2011	5,000	Min 10 Years
Confidential	Sporting Goods	In Discussion	4th Quarter 2011	20,000	Purchase
Confidential	Toy Store	In Discussion	4th Quarter 2011	60,000	Min 10 Years
Confidential	Electronics	In Discussion	4th Quarter 2011	2,500	Min 10 Years
Confidential	Apparel	In Discussion	4th Quarter 2011	5,000	Min 10 Years
Confidential	Women's Fashion	In Discussion	4th Quarter 2011	4,500	Min 10 Years
Confidential	Salon Products	In Discussion	4th Quarter 2011	1,000	Min 10 Years
Confidential	Children's Clothing	In Discussion	4th Quarter 2011	3,000	Min 10 Years
Confidential	Wedding Apparel	In Discussion	4th Quarter 2011	5,000	Min 10 Years
Confidential	Retail	In Discussion	4th Quarter 2011	3,000	Min 10 Years
Hotel	Brand Name	In Discussion	4th Quarter 2011	50,000	Purchase
Cabela's Distribution Center	Distribution	In Discussion	4th Quarter 2012	550,000	30 Year Lease
Subtotal				734,700	

Property Available :					
Other Retail	Retail	N/A	4th Quarter 2012	50,000	Min 10 Years
Other Commercial	Commercial	N/A	4th Quarter 2012	700,000	Min 10 Years
Subtotal				750,000	
Total Projected Development				4,107,364	

VI. CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ohio County Development Authority Office, 1500 Chapline Street, Wheeling, WV 26003.

OHIO COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2010

	Business-type Activities - Enterprise Fund
	Ohio County Development Authority
ASSETS	
Current:	
Cash and cash equivalents	\$ 87,175
Receivables (net of allowances):	
Rent	450,578
CAM fees	862,779
Other	3,613
Gas lease bonus	728,471
Prepaid leases	3,000
Net investment in sale-type lease	360,691
	2,496,307
Restricted assets:	
Reserve account	111,743
Receivables:	
Escrow fees	34,884
	146,627
Capital assets (net of accumulated depreciation):	
Nondepreciable:	
Land	58,919,744
Construction in progress	10,067,033
Depreciable:	
Buildings	64,744,654
System infrastructure	1,978,915
Land improvements	9,597,600
Machinery and equipment	169,060
	145,477,006
Other debits:	
Investment in sales-type lease net of current portion	15,622,039
	15,622,039
Total assets	\$ 163,741,979

OHIO COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2010

		Business-type Activities - Enterprise Fund
		<u>Ohio County Development Authority</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$	65,832,874
Restricted for debt service		111,743
Unrestricted		<u>15,982,746</u>
 Total net assets		 <u>81,927,363</u>
 Total liabilities and net assets	 \$	 <u><u>163,741,979</u></u>

**OHIO COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Fund
	Ohio County Development Authority
Operating revenues:	
Sales and services to customers	\$ 1,604,326
Rental fees	5,353,203
Interest revenue - leases	653,182
	7,610,711
Operating expenses:	
Administrative and general	1,304,617
Miscellaneous	338,208
Materials and supplies	95,843
Utilities	241,753
Depreciation	1,986,179
Maintenance	416,452
Taxes and fees	809,438
	5,192,490
Operating income (loss)	2,418,221
Nonoperating revenues (expenses):	
Interest revenue	3,054
Miscellaneous revenue	26,692
Gain (loss) on sale of capital assets	(5,110,075)
Interest and fiscal charges	(3,278,734)
Gain on debt restructuring	695,070
Gain on lease of mineral rights	1,908,389
	(5,755,604)
Income (loss) before operating transfers and contributions	(3,337,383)
Capital contributions	467,215
Change in net assets	(2,870,168)
Net assets at beginning of year	84,797,531
Net assets at end of year	\$ 81,927,363

See accompanying notes to the financial statements.

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Fund <u>Ohio County Development Authority</u>
Cash flows from operating activities:	
Cash received for lease and rentals	\$ 6,728,866
Cash paid for goods and services	<u>(2,508,060)</u>
Net cash provided (used) by operating activities	<u>4,220,806</u>
Cash flows from noncapital financing activities:	
Bonus payment for mineral rights lease	1,179,918
Miscellaneous revenue	<u>26,692</u>
Net cash provided (used) by noncapital financing activities	<u>1,206,610</u>
Cash flows from capital and related financing activities:	
Capital grants and contributions	402,001
Proceeds from debt restructuring	200,000
Acquisition and construction of capital assets	(10,480,058)
Proceeds from lines of credit	1,249,094
Principal paid on lines of credit	(2,817,859)
Principal payments from lessee payments on capital leases	346,818
Principal paid on loans	(9,767,013)
Proceeds from the sales of capital assets	6,272,500
Interest paid on capital debt	(3,000,554)
Principal received from loans	10,191,274
Principal paid on capital leases	<u>(182,427)</u>
Net cash provided (used) by capital and related financing activities	<u>(7,586,224)</u>
Cash flows from investing activities:	
Interest received	<u>3,054</u>
Net cash provided (used) by investing activities	<u>3,054</u>
Net increase (decrease) in cash and cash equivalents	(2,155,754)
Cash and cash equivalents, July 1 (including \$262,913 in restricted assets)	<u>2,354,672</u>
Cash and cash equivalents, June 30, (including \$111,743 in restricted assets)	<u>\$ 198,918</u>

See accompanying notes to the financial statements

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2010

Business-type Activities
- Enterprise Fund

Ohio County
Development
Authority

**Reconciliation of net income
to net cash provided by
operating activities:**

Operating income (loss)	\$	2,418,221
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase (decrease) in account payable for operating expenses		696,851
(Increase) decrease in CAM fees receivable		(482,966)
Increase (decrease) in deferred revenue		(39,294)
(Increase) decrease in prepaid leases		1,400
(Increase) decrease in rents receivable		(355,972)
(Increase) decrease in other receivables		(3,613)
Depreciation expense		<u>1,986,179</u>
Net cash provided by operations	\$	<u><u>4,220,806</u></u>

Noncash investing capital and financing activities:

	<u>Notes payable increase</u>	<u>Line of credit payable (decrease)</u>
Renegotiation of short term debt to long term debt	\$11,910,711	(\$11,910,711)
	<u>Advances from primary government decrease</u>	<u>Capital grants and contributions increase</u>
Loan payment applied to liability to primary government	\$65,214	\$65,214

See accompanying notes to the financial statements

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ohio County Development Authority (the Authority), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The Authority, a component unit of the Ohio County Commission, is governed by a thirteen member board which is appointed by the County Commission. Each Municipality within the County shall submit three candidates from which the Commission shall appoint. The Commission may at any time remove any member of the Authority. The Authority is a legally separate organization for which elected officials of the primary government are financially accountable. The Authority is a discretely presented component unit of the primary government based on criteria stipulated in the Governmental Accounting Standards Board Statement No. 14 as amended by Statement No. 39.

B. Financial Statements

The financial statements (i.e., the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows) report information on all of the activities of the Authority. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with GASB Pronouncements in the proprietary fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority are charges associated with operating and capital leases received from businesses located within the development district (*The Highlands*). Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity. Construction disbursements are generally made from the construction account with certain outlays (primary legal expenses) being paid from the operating account.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Authority reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The Authority currently has no long-term investments. However, certain cash accounts are swept into repurchase agreements at the end of the day.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this State if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the S.E.C. which have fund assets over three hundred million dollars.

2. Receivables and Payables

Receivables

Common Area Maintenance (CAM)/Rent Fees Receivable

All Common Area Maintenance (CAM) and Rent Fee receivables are shown at their net value after an allowance for uncollectible accounts.

Lease Receivable/Payable

The Authority records lease activity in accordance with FASB Statement No. 13 as amended by subsequent FASB statements.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Accounts Payable

Amounts due for goods and services, including those related to construction, are recognized when the liability is incurred. The Authority defers revenue received for leases applicable to future periods.

Contract Retention Payable

A portion of the accounts payable related to construction is recorded as retention payable since the amounts are not due until final inspection of the construction facilities.

3. Restricted Assets

Certain receivable amounts are considered restricted because the proceeds, when received, will be considered restricted in use. The Authority also maintains certain escrow accounts that are legally restricted for property improvements and the sale of property.

4. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the Statement of Net Assets. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

The Authority's capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years	Salvage Percentage
Buildings	40	20%
Infrastructure:		
Utilities	25	20%
Roads	10	5%
Land Improvements:		
Parking Lots	20	5%
Vehicles:		
Light trucks	5	5%
Lawn equipment	15	5%
Attachments	15	5%
Office and computer equipment	5	0%

5. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. The portion of debt due in the next fiscal year is reported as a current liability.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Debt Agreements

During the fiscal year, the Authority was not in compliance with the terms of three notes. Two notes were successfully renegotiated during the fiscal year, while one note remained in default at the end of the fiscal year. In February 2010, Real Estate Purchase #1 \$894,329 (\$809,335 principal and \$84,994 accrued interest) and Real Estate Purchase #2 \$2,393,396 (\$2,161,120 principal and \$232,276 accrued interest) were consolidated to a single note with a balance of \$2,700,000 with interest only payments due quarterly until March 1, 2012 when the entire principal amount is due. The Authority failed to make any of the 12 scheduled monthly payments (July 1, 2009 through June 1, 2010) of \$194,539 (\$107,477 principal and \$87,062 interest) for the note with West Virginia Infrastructure Council. All unpaid interest and the principal on the note of \$3,000,000 was outstanding at June 30, 2010. The Authority made payments of \$278,153 and \$50,168, to the West Virginia Council in November 2010 and February 2011, respectively, to bring the agreement current.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Authority's deposits and investments are as follows:

Type	Fair Value	Weighted Average Maturity
Repurchase Agreements	\$ 87,175	Less than 1 Year

Custodial Credit Risk

It is the Authority's practice to sweep certain cash accounts into repurchase agreements at the end of each day. At June 30, 2010, the Authority had repurchase agreements with a carrying and fair value of \$87,175. These repurchase agreements are included as cash and cash equivalents in the financial statements. The Authority's policy for custodial credit risk is to obtain additional depository collateral from each banking institution sufficient to cover the Authority's balances held in repurchase agreements. The collateral pledged to the Authority is held by an independent third party in the Authority's name.

Credit Risk

It is the Authority's policy to limit its investments as stated in West Virginia State Code and outlined in Note I.D and the Authority has no additional policy beyond statutory requirements as it relates to credit risk. The repurchase agreements are not rated by either Moody's or Standards & Poor.

Interest Rate Risk

It is the Authority's policy to limit its investments as stated in West Virginia State Code and outlined in Note I.D and the Authority has no additional policy beyond statutory requirements as it relates to interest rate risk.

Concentration of Credit Risk

It is the Authority's policy to limit its investments as stated in West Virginia State Code and outlined in Note I.D and the Authority has no additional policy beyond statutory requirements as it relates to concentration of credit risk.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

B. Receivables

The Authority (lessor) has entered into a long-term-sales-type agreement with a commercial entity (lessee) for land, building and equipment. An implied interest rate of 4% is utilized to discount the lease. A schedule of future lease amounts due the Authority is as follows:

<u>Year</u> <u>Ended</u>	<u>Sales-Type Lease</u> <u>Amounts Due</u>
2011	\$ 1,000,000
2012	1,000,000
2013	1,000,000
2014	1,000,000
2015	1,000,000
2016 - 2020	5,000,000
2021 - 2025	5,000,000
2026 - 2030	5,000,000
2031 - 2035	5,000,000
2036	<u>999,892</u>
Total minimum amount due	25,999,892
Less: Amount representing interest	<u>(10,017,162)</u>
Present value of minimum lease amount due	<u>\$ 15,982,730</u>

Rent/CAM Receivable

The entity also records receivables for rent and common area maintenance (CAM). The receivables balance as of June 30, 2010, were \$450,578 and \$862,779 respectively. These amounts are shown net of allowances for doubtful accounts for rent and CAM fees of \$241,549 and \$95,835 respectively.

Deferred Charges for Services

A portion of the rent collected is deferred since the payment is applicable to the subsequent time period. The amount of rent deferred at June 30, 2010 is \$170,484.

Gas Lease Bonus

The Ohio County Development Authority entered into an agreement with a Chesapeake Energy LLC to lease the gas rights for property owned by the Authority. In conjunction with that lease agreement, the Authority received a lease bonus payment of \$1,179,918. However, a portion of property remains to be paid at a lease rate of \$3,600 per acre and a receivable of \$728,471 has been recorded at year end.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 69,248,449	\$ 2,190,945	\$ (12,519,650)	\$ 58,919,744
Construction in progress	18,501,037	5,916,528	(14,350,532)	10,067,033
Total capital assets, not being depreciated	<u>87,749,486</u>	<u>8,107,473</u>	<u>(26,870,182)</u>	<u>68,986,777</u>
Capital assets being depreciated:				
Buildings	55,054,686	12,162,464	(71,717)	67,145,433
Land improvements	9,710,188	1,163,236	(52,000)	10,821,424
Infrastructure	2,379,348	381,279	--	2,760,627
Machinery and equipment	204,231	16,571	--	220,802
Less: accumulated depreciation	<u>(2,471,878)</u>	<u>(1,986,179)</u>	<u>--</u>	<u>(4,458,057)</u>
Total capital assets being depreciated, net	<u>64,876,575</u>	<u>11,737,371</u>	<u>(123,717)</u>	<u>76,490,229</u>
Business-type activities capital assets, net	<u>\$ 152,626,061</u>	<u>\$ 19,844,844</u>	<u>\$ (26,993,899)</u>	<u>\$ 145,477,006</u>
Depreciation expense was charged as follows:				
Business-type activities:				
Ohio County Development Authority				<u>\$ 1,986,179</u>
Total depreciation expense-business-type activities				<u>\$ 1,986,179</u>

Construction in Progress

The Authority has active construction projects as of June 30, 2010. The projects include the development of property for commercial use in the area known as *The Highlands*. These projects were funded by contributions from the primary government and loan proceeds. At year end the amounts spent-to-date are as follows:

<u>Project</u>	<u>Spent-to-Date</u>
Access Road	\$ 2,836,135
Building - Public Building	7,726
Building - Lifestyle Center	677,091
Site Work	5,944,455
Cabela's - DC III	22,421
Utilities	579,205
	<u>\$ 10,067,033</u>

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

D. Leases

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of land for development in *The Highlands* and the acquisition of equipment for Common Area Maintenance. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Capital Leases	
	Business - Type Activities	
	Land Lease	Equipment Lease
Land and equipment	\$ 1,094,203	\$ 44,845
Less: accumulated depreciation	-	(2,840)
Total	\$ 1,094,203	\$ 42,005

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Capital Leases	
	Business - Type Activities	
	Land Lease	Equipment Lease
2011	\$ 200,000	\$ 33,304
2012	100,000	17,376
Total minimum lease payments	300,000	50,680
Less: amount representing interest	(15,232)	(6,907)
Present value of minimum lease payments	\$ 284,768	\$ 43,773

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

E. Long-term Debt

Notes Payable

The Authority entered into various loan agreements with local banks and governmental agencies to finance various economic development activity. A description of this loan activity is as follows:

Purpose	Issued	Retired	Balance June 30, 2010
Business-type activities:			
Wesbanco - Stadium Grass	\$ 523,007	\$ 283,724	\$ 239,283
Wesbanco - Refinancing	4,000,000	4,000,000	--
Wesbanco - DC	10,000,000	302,567	9,697,433
Wesbanco - Front Lots II	999,232	999,232	--
Wesbanco - Front Lots/TC V	10,191,274	87,964	10,103,310
BB&T - JC Penney	1,460,173	96,608	1,363,565
BB&T - Kohl's	1,520,000	94,618	1,425,382
BB&T - OCDA III	2,624,264	173,645	2,450,619
BB&T - Power Center A	14,600,128	960,826	13,639,302
BB&T - Power Center B	3,472,000	150,099	3,321,901
BB&T - Town Center I	15,989,012	2,346,756	13,642,256
BB&T - Marquee	5,980,676	14,354	5,966,322
Progressive - OCDA II	3,886,077	36,925	3,849,152
United - Lot 13	747,500	24,077	723,423
Real Estate Purchase #1	1,608,909	1,608,909	--
Real Estate Purchase #2	2,161,120	2,161,120	--
Real Estate Loan #1	2,700,000	--	2,700,000
WV Infrastructure Council	3,000,000	--	3,000,000
Total notes payable	<u>\$ 85,463,372</u>	<u>\$ 13,341,424</u>	<u>\$ 72,121,948</u>

Wesbanco - Stadium Grass

The Stadium Grass note's interest is a variable rate based on the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year plus a margin of 2.25 percentage points. The interest rate at June 30, 2010 is 2.75%.

Wesbanco - Distribution Center

The loan is secured by 59.94 acres of property held by the Authority in the development area which includes a distribution center. The interest rate for the Wesbanco Bank loan is fixed at 6.5% over 25 years.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Wesbanco - Front Lots/TC V

Secured by Leases between the Authority and certain businesses operating in lots 2, 4 and 8 and other Highlands areas. Secured by real property including Town Center V, 12 separate tracts of land totaling 33.32 acres, and certain other areas at the Highlands development. The interest rate is calculated at a variable rate equal to the 5-Year SWAP Rate, plus three and one-half percent, per annum, fluctuating every 5 years. The interest rate at June 30, 2010 is 6.25%.

BB&T - JC Penney

The note is secured through the assignment of lease and rentals of the "JC Penney's" area which is approximately 6.94 acres of property held by the Authority in the development area. The interest rate is set daily at the bank's prime rate less .5 basis points. The interest rate in effect at June 30, 2010 is 2.75%.

BB&T - Kohl's

The loan is secured through the assignment of lease and rentals of the "Kohl's" area which is approximately 6.30 acres of property held by the Authority in the development area. The interest rate is set daily at the bank's prime rate less .5 basis points. The interest rate in effect at June 30, 2010 is 2.75%.

BB&T - OCDA III

The loan is secured through the assignment of lease and rentals of the "OCDA Building III" area which is approximately 17,800 square feet of retail outlets. The interest rate is set daily at the bank's prime rate less .5 basis points. The interest rate in effect at June 30, 2010 is 2.75%.

BB&T - Power Centers A&B

The loan is secured through the assignment of lease and rentals in the "power center" area which is approximately 153,225 square feet of retail outlets. The interest rate is set daily at the bank's prime rate less .5 basis points. The interest rate in effect at June 30, 2010 is 2.75%.

BB&T - Town Center I

The loan is secured through the assignment of lease and rentals in the "town center" area which is approximately 19 acres housing office and retail outlets. The collateral is a shared first with the WV Infrastructure Council. The interest rate is set daily at the bank's prime rate less .5 basis points. The interest rate in effect at June 30, 2010 is 2.75%.

BB&T - Marquee

The line of credit is secured through the assignment of lease and rental of the 52,000 square foot cinema and covers approximately 5 acres in the area known as the "town center." The interest rate is set daily at the bank's prime rate plus 1.5 basis points. The interest rate in effect at June 30, 2010 is 4.75%.

Progressive - OCDA II

This loan is secured by lot 7 which comprises 6 acres of property held by the authority in the development area. The interest rate is calculated at a fixed rate of 6.25%.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

United Bank - Lot 13

This loan is secured by lot 13 which comprises 13.30 acres of property held by the authority in the development area. The interest rate is calculated at a fixed rate of 7.65%.

Real Estate Loan

The loan is secured by lots C1, 2A, and lot 4D. The interest rate is calculated at fixed rate of 9%.

WV Infrastructure Council

The loan is secured through the assignment of lease and rentals in the "town center" area which is approximately 19 acres housing office and retail outlets. The collateral for the loan is a shared first with BB & T. The interest rate is set at 3%.

Debt service requirements to maturity are as follows:

Year Ended	Business-type Activities	
	Principal	Interest
2011	\$ 2,822,167	\$ 3,214,167
2012	5,508,051	2,855,054
2013	2,913,256	2,587,407
2014	3,019,836	2,477,884
2015	34,650,006	2,324,791
2016 - 2020	5,370,060	5,957,726
2021 - 2025	7,060,568	4,188,587
2026 - 2030	7,801,989	1,959,531
2031 - 2035	2,976,015	291,603
Totals	<u>\$ 72,121,948</u>	<u>\$ 25,856,750</u>

Long-term advances

The Authority has received advances from Ohio County Commission to provide interim financing for the project. These advances are recorded as long-term loans. The balance of the long-term advances at year end is \$1,551,645. There are no scheduled payments or accrued interest related to the advances.

Changes in Long-term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 510,968	\$ -	\$ (182,427)	\$ 328,541	\$ 215,916
Long-term notes payable	60,057,432	24,801,985	(12,737,469)	72,121,948	2,822,167
Long-term advances	1,616,859	--	(65,214)	1,551,645	--
Governmental activities					
Long-term liabilities	<u>\$ 62,185,259</u>	<u>\$ 24,801,985</u>	<u>\$ (12,985,110)</u>	<u>\$ 74,002,134</u>	<u>\$ 3,038,083</u>

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

Short-term Debt - Notes and Revolving Lines of Credit

The Authority also uses short-term notes and revolving lines of credit to finance various economic development activities. Short-term debt activity for the year ended June 30, 2010, was as follows:

<u>Short-term Debt</u>	<u>Debt Instrument</u>	<u>Short-term</u>			
		<u>Beginning Balance</u>	<u>Issued/Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Wesbanco - Quaker Steak & Lube	Note	\$ 637,227	\$ 662,773	\$ (1,300,000)	\$ -
United Bank - Lot 13	Note	747,500	-	(747,500)	-
Real Estate Purchase #3	Note	2,800,000	-	(2,800,000)	-
Wesbanco - Revolver	Line of Credit	2,000,000	-	-	2,000,000
BB&T - Marquee	Line of Credit	5,994,993	-	(5,994,993)	-
Progressive - OCDA	Line of Credit	3,299,756	586,321	(3,886,077)	-
Total		<u>\$ 15,479,476</u>	<u>\$ 1,249,094</u>	<u>(14,728,570)</u>	<u>\$ 2,000,000</u>

The \$14,728,570 of repayments includes the conversion of \$11,910,711 to long-term debt.

Wesbanco - Revolver

The line of credit is secured by 59.94 acres of property held by the Authority in the development area which includes a distribution center. The interest rate is set daily at the bank's prime rate plus .5 basis points.

F. Restricted Assets

As a condition of a loan agreement, the Authority is required to restrict a portion of funds in a reserve account for loan payments. Additionally, the Authority restricts an escrow receivable since the proceeds, when received, must be used for specified purposes. The following balances are present at June 30, 2010:

	<u>Business-type Activities</u>
Escrow fees receivable	\$ 34,884
Reserve account	111,743
Total restricted assets	<u>\$ 146,627</u>

G. Gain (Loss) on Sale of Capital Assets

In past fiscal years, the Authority has transferred or sold ownership of assets constructed at *The Highlands* to different entities, both public and private. For sales transactions, the proceeds of the sale are offset by the cost of the asset being sold. For water/sewer additions and upgrades, there is a standing agreement that these assets will be automatically transferred to the Ohio County Public Service District once 100 % complete. The net effect may be an increase or decrease to net assets. The following transactions are the net effect of the these transactions for the fiscal year 2009 - 2010:

	<u>Gain(Loss) on Sale of Capital Assets</u>
Sale of parcel (OCC)	\$ (4,037,776)
Sale of parcel (Straub)	(1,006,874)
Utilities / Misc Site Work	(65,424)
Net gain (loss) on sale of capital assets	<u>(\$ 5,110,074)</u>

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

The Authority sold a parcel of land to the Ohio County Commission for \$6,200,000 resulting in a loss of \$(4,037,776). The Authority retains an exclusive option to repurchase the property at the stipulated price of \$6,200,000 during a thirty-six month option period. The Authority also entered into a land swap agreement with a business that relocated to the Highlands. The difference between the fair market value of the property acquired by the Authority and the cost of the property sold is recognized as a loss of \$(1,006,874).

H. Gain on Lease of Mineral Rights/Debt Restructuring

Gain on Lease of Mineral Rights

The Authority entered into an agreement with Chesapeake Appalachia, L.L.C. to lease the mineral rights of certain property in the Highlands area to the company for natural gas exploration. The Authority is entitled to a percentage of any gas extracted from the area in the form of royalties. Chesapeake Appalachia, L.L.C. also agreed to pay the Authority a signing bonus based on a per acreage amount under lease. The Authority has recognized the full amount of the bonus payment as a gain since this payment is not contingent on gas well production or the performance of any other material contractual obligation by the Authority.

Gain on Debt Restructuring

The Authority entered into an agreement with a private company to restructure existing debt agreements in which the Authority was in default. The existing debt agreements, with principal and interest outstanding of \$2,970,456 and \$317,270 respectively, were forgiven and a new note agreement for \$2,700,000 was executed at a fixed rate of 9%. The Authority also received \$200,000 in cash and in turn forgave \$92,654 in CAM fees which were owed by the private company. The Authority also agreed to forfeit any rights to a settlement that may be received from a pending legal action in which the private company and the Authority were joint parties to. The net result of this restructuring was a gain of \$695,071.

I. Capital Grants and Contributions

During the year, the Authority received capital grants and contributions from the Ohio County Commission in the amount of \$467,216.

J. Operating Leases

The Authority leases (as lessor) various properties to businesses (as lessees) within the district under operating leases. These leases may include land only or both building and land.

The assets that are being leased for operating purposes are as follows:

Asset	Governmental Activities
Buildings	\$ 67,253,662
Land Improvements (parking lots)	10,779,113
Less: accumulated depreciation	(3,621,287)
Total depreciable assets	74,411,488
Non depreciable assets:	
Land	25,846,604
Total assets under lease	\$ 100,258,092

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

The following is an annual schedule of minimum future rentals on operating leases as of June 30, 2010:

Year Ended	Operating Leases
2011	\$ 5,554,473
2012	5,576,810
2013	5,629,770
2014	5,647,147
2015	5,702,817
2016 to 2020	21,019,337
2021 to 2025	11,511,304
2026 to 2030	6,292,082
	\$ 66,933,740

IV. OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with both the West Virginia Board of Risk and Insurance Management and Cincinnati Insurance Company for both umbrella (general liability) and property insurance for these various risks.

In March 2005, the West Virginia State Legislature voted to change the State's Workers' Compensation Insurance. A private mutual company known as BrickStreet was created as the provider of workers' compensation to the businesses in West Virginia. Similar to other worker' compensation policies, premiums are based on types of jobs, wages and previous accident history. In addition to the premium, there is a charge to assist in the financing of the WV Workers Compensation Fund's previous debt. The premium for this payroll benefit is paid by the Ohio County Commission (primary government) and then billed to the Authority throughout the year.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Subsequent Events

In November 2010, the Authority paid off the United - Lot 13 long-term note upon sale of the land in which the note was collateralized.

The Authority is the defendant in various lawsuits or threatened lawsuits throughout the fiscal year and subsequent to year end (see IV. C). Some of these disputes have been concluded after the fiscal year ended.

C. Contingent Liabilities

For the following claims and in management's opinion, the ultimate liability, if any, could have or already have had a material effect on the financial statements.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

1. The Authority has been named in litigation by a firm that performed engineering & construction management services related to several projects at *The Highlands*. This firm alleges it is owed a balance of approximately \$575,000. Although the Authority has recorded a \$575,421 liability related to this claim, the Authority is disputing the validity of this balance. In response, the Authority has filed a counterclaim against this firm for not fulfilling their duties, wrongful billing and causing additional costs on several projects. No entry has been recorded for the counterclaim amount of \$2.9 million.
2. A complaint was filed against the Authority from a business alleging fees and commissions were due with respect to certain leases in the area. The Authority has accrued \$100,000 for this issue. The claim was settled in July of 2010.
3. A complaint was filed against the Authority by an Appraisal Company seeking recovery of fees for studies performed for *The Highlands*. The Authority has accrued \$9,000 for this issue. The claim was settled in July of 2010.
4. A complaint was filed against the Authority by a contractor seeking payment for "additional work" performed on a project at *The Highlands*. Officials of the OCDA contend that they did not authorize this "additional work" and furthermore have filed a counterclaim that this contractor's authorized work was unsatisfactory to the point that has caused injury to visitors and caused financial harm to the Authority. Counsel does not believe an unfavorable outcome is probable or remote therefore no accrual is included in the financial statements for a potential loss. If an unfavorable outcome would occur the potential range of the loss could be between \$156,000 and \$210,900.
5. During the year, a contractor was awarded a judgment through arbitration against the Authority in a dispute over amounts owed. The Authority had already accrued amounts claimed by this contractor in prior fiscal years. The additional awarded in the judgment over the amounts claimed by the contractor has been accrued at June 30, 2010 at the total amount of \$264,638. The Authority has appealed the manner in which the arbitration award amount was calculated and the matter is pending in Circuit Court. The Authority has reflected this liability in "claims and judgments" since the arbitrator's ruling is binding.

For the following claims and in management's opinion, the ultimate liability, if any would not have a material effect on the financial statements.

1. Throughout the years, several trip and fall claims were filed against the Ohio County Development Authority and the tenants for injuries sustained while visiting the Highlands. To date, some of these claims remain open. All claims are expected to be either covered through the Authority's liability insurance or dismissed.
2. A land owner has filed a claim against the Authority for failing to provide some FOIA requests.
3. A material vendor filed a complaint in United States District Court seeking monies for an alleged outstanding balance. Subsequent to year end this complaint was dismissed by the Court.
4. Subsequent to year end, a second material vendor has threatened legal action for an outstanding balance. The Authority has accrued this balance at June 30, 2010, and believes the amount accrued is more than sufficient to satisfy the obligation. This claim was settled for half the liability booked at June 30, 2010.

OHIO COUNTY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

5. Subsequent to year end, an advertising company has filed a complaint for an outstanding balance of approximately \$3,000. The outcome of this claim is not expected to have a material effect on the Authority's financial position. This claim was settled in January of 2011.

D. Related Party Transactions

The Ohio County Development Authority (OCDA) is involved in various transactions with the Ohio County Commission (OCC). While the OCDA and OCC are governed by separate boards, the management responsible for the day to day operations is the same. The OCC has issued Special District Excise Tax Bonds (SDEX) and Tax Increment Financing (TIF) Bonds in prior years to finance economic development within *The Highlands* area. The proceeds of these bonds, in large, were transferred to the OCDA. The tax revenue pledged to support these bonds is reflected on the OCC financial statements along with the applicable debt. Bond proceeds transferred to the OCDA are reported as capital contributions and the assets acquired with these contributions are reported on the financial statements of the OCDA when constructed.

The following transactions took place during the current fiscal year:

Capital Contributions - The County contributed \$475,057 to the OCDA . This was comprised of \$331,000 in TIF revenue, \$50,500 in coal severance tax revenue, \$30,000 of hotel/motel tax revenue for the Highland's Winter Festival, and \$63,557 due to a loan payment. Of the contributions made by the OCC, \$7,842 was not considered capital in nature.

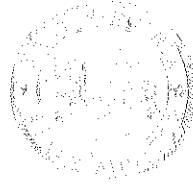
Sale of Land - As described in Note III.G., in May of 2010 the OCC purchased land from the OCDA for \$6,200,000 which resulted in a loss to the OCDA of \$(4,037,066). In conjunction with the sale agreement, the OCDA was granted an exclusive option to repurchase the land during the option period. The stipulated repurchase price is \$6,200,000 and the option period is 36 months. Interest accrues at the rate of 3% from the time the option is exercised until the repurchase is consummated. During the option period, the OCDA, its agents, employees and contractors may enter the property for the purpose of continuing site work upon the property as determined by the OCDA.

Long Term Advances from the Primary Government - The OCC has advanced the OCDA funds in prior years with no stipulated repayment schedule or interest rate. The balance at June 30, 2010 is \$1,551,645 and this is a net decrease of \$65,214. There was a decrease of \$63,557 in this liability due to the payment of a loan in the OCDA's name that the county is responsible for. Additionally, the OCDA paid \$1,657 for certain invoices paid on behalf of the OCC.

Accounts Payable - The OCDA has employees that are paid through the OCC payroll function. The OCC then bills the OCDA for the cost of the employees. The balance of this liability is \$816,711 which represents a \$422,941 increase from the prior year. The OCC does not charge the OCDA interest on the obligation.

Short Term Advance - During the fiscal year ending June 30, 2010, The OCC loaned the OCDA \$1,375,000. The loan was outstanding for less than six months, was interest free, and was completely repaid by the OCDA prior to the end of the fiscal year.

ACCOMPANYING INFORMATION



State of West Virginia

Glen B. Gainer III
State Auditor and
Chief Inspector

Stuart T. Stickel, CPA
Deputy Chief Inspector

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Members of the
Ohio County Development Authority
Wheeling, West Virginia 26003

We have audited the basic financial statements of the Ohio County Development Authority (the Authority), a component unit of the Ohio County Commission, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the entity'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 was not designed to 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 that we consider to be significant deficiencies as described in the accompanying schedule of findings and responses as items 2010-01 and 2010-02. 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 the Authority's basic 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. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2010-03 through 2010-05.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 14, 2011.

The Authority's response to findings 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, the Authority and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Glen B. Gainer, III
West Virginia State Auditor

March 14, 2011

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**General Ledger Capital Assets
2010-01**

CONDITION:

The general ledger system maintained by the Authority does not reflect capital assets in a timely fashion. Capital disbursements are recognized as expenses and then reclassified at the end of the year through a large adjusting entry.

CRITERIA:

Adequate internal control procedures dictate that all accounts be posted in a timely fashion in the general ledger system. The general ledger should include all of the accounts utilized to record financial transactions in appropriate detail and contain all of the necessary controls to provide a complete audit trail. Subsidiary journals may support the general ledger but must contain adequate details and controls.

CAUSE:

The general ledger system of the Authority has improved through the inclusion of all accounts other than capital assets. Officials are examining options that will meet both financial reporting and internal project tracking objectives.

EFFECT:

There is a greater risk of material misstatement in the financial statements occurring since capital asset transactions are not posted to the general ledger in a timely fashion. Additionally, the quarterly financial reporting required by many of the debt agreements is compromised by not having timely information in the general ledger system for capital assets.

RECOMMENDATION:

The Authority should incorporate timely capital asset reporting into the formalized general ledger/journal system.

AUDITED AGENCY'S RESPONSE:

Expenditure accounts can't be closed to balance sheet accounts (assets, liabilities or equity) because project expenditures overlap two or more fiscal years. These expenditures must remain on the books as a recap of the detail when closing out each contract of the capital project. Therefore, the Authority has utilized spreadsheets to record the capital assets. The Authority will begin the process of creating general ledgers for these capital assets. Management would like to continue to point out that although the procedures to produce information for the financial statements are in discussion, the accuracy of the information and figures provided are not being disputed.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Allowance for Doubtful Accounts
2010-02**

CONDITION:

It was noted the Authority did not establish an adequate allowance for doubtful accounts related to lease rentals and CAM Fees.

CRITERIA:

Adequate allowances should be established for uncollectible accounts receivable in order to properly reflect this asset..

CAUSE:

While officials did establish an allowance account, it was inadequate in relation to the outstanding balances.

EFFECT:

Activity related to lease and CAM fees has steadily increased over the years and the potential exists for rentals and fees to not be paid in a timely manner. Additionally, there are complexities associated with the calculation of the CAM fees that increase the probability of the businesses remitting improper amounts.

RECOMMENDATION:

The Authority should evaluate the effectiveness of the formalized billing system and enhance collection procedures for these revenues. Additionally, accounts should be periodically analyzed a an adequate allowance should be established.

AUDITED AGENCY'S RESPONSE:

When preparing the financial statement, the OCDA calculated and booked an allowance at June 30, 2010 based on the knowledge of the tenants and their commitment to pay their obligations. Management will continue to track the collection history of each tenant in order to calculate allowances. CAM reconciliations are completed on a calendar year basis.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Violation of Debt Agreement - Real Estate Purchase #1
2010-3

CONDITION:

The Development Authority was not in compliance with the provisions of a secured promissory note entered into with a public corporation. Specifically, the Authority failed to make two scheduled payments (September 30, 2008 and December 31, 2008) and these amounts remained outstanding until February 25, 2010, when the note was renegotiated. As of February 25, 2010, the note had outstanding principal payments of \$809,335 and accrued interest of \$84,994 that were past due.

CRITERIA:

As part of a Real Estate Sales Agreement entered in December 2007, between the Authority and the public corporation, the Authority agreed in a secured promissory note to pay the corporation the total sum of \$1,608,909. The specific terms of the note were as follows:

"(a) Borrower shall make payments due on the final date of each calendar quarter (March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008) of principal and interest on the outstanding balance of this Note. In no event shall any payment be less than the accrued interest. The interest rate shall be based on an annual amortization at three percent (3%) for the payment due March 31 2008 and seven percent (7%) for the remaining payments due June 30, 2008, September 30, 2008 and December 31, 2008, until the date Note is paid in full."

"This Note is secured by a Deed of Trust of even date herewith encumbering that certain real property, consisting of approximately 5.88 acres, more or less located in Ohio County, West Virginia ..."

CAUSE:

The Authority lacked the necessary financial resources to meet the obligation.

EFFECT:

The Authority risks the loss of assets pledged against that debt. Additionally, the failure to meet obligations may inhibit the Authority's ability to borrow funds in the future.

RECOMMENDATION:

Debt obligations should be paid by the Authority when they become due.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Violation of Debt Agreement - Real Estate Purchase #1
2010-03 (continued)**

AUDITED AGENCY'S RESPONSE:

As the national economic downturn was taking place, the retail market slowed and OCDA's cash flows were hampered. During the fiscal years 2009 and 2010, the OCDA was not in compliance with the Real Estate Purchase # 1, \$894,329 and Real Estate Purchase #2, \$2,393,396. In March 2010, the OCDA re-negotiated the two real estate agreements into a consolidated note in the amount of \$2,700,000. The note requires quarterly interest payments only through March 2012 when the entire principle is due.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Violation of Debt Agreement - Real Estate Purchase #2
2010-04**

CONDITION:

The Development Authority was not in compliance with the provisions of a secured promissory note entered into with a public corporation. Specifically, the Authority failed to make any scheduled payments (September 30, 2008, December 31, 2008, March 31, 2009 and June 30, 2009) and these amounts remained outstanding until February 25, 2010, when the note was renegotiated. As of February 25, 2010, the note had outstanding principal payments of \$2,161,120 and accrued interest of \$232,276 that were past due.

CRITERIA:

As part of a Real Estate Sales Agreement entered in June 2008 between the Authority and a public corporation, the Authority agreed in a secured promissory note to pay the corporation the total sum of \$2,161,120. The specific terms of the note were as follows:

"(a) Borrower shall make payments due on the final date of each calendar quarter (September 30, 2008 and December 31, 2008, March 31, 2009 and June 30, 2009) of principal and interest on the outstanding balance of this Note. In no event shall any payment be less than the accrued interest. The interest rate shall be based on an annual amortization at three percent (3%) for the payment due December 31, 2008, March 31, 2009 and June 30, 2009, until the date Note is paid in full."

"This Note is secured by a Deed of Trust of even date herewith encumbering that certain real property, consisting of approximately 6.39 acres, more or less, located in Ohio County, West Virginia ..."

CAUSE:

The Authority lacked the necessary financial resources to meet the obligation.

EFFECT:

The Authority risks the loss of assets pledged against that debt. Additionally, the failure to meet obligations may inhibit the Authority's ability to borrow funds in the future.

RECOMMENDATION:

Debt obligations should be paid by the Authority when they become due.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Violation of Debt Agreement - Real Estate Purchase #2
2010-04 (continued)**

AUDITED AGENCY'S RESPONSE:

As the national economic downturn was taking place, the retail market slowed and OCDA's cash flows were hampered. During the fiscal years 2009 and 2010, the OCDA was not in compliance with the Real Estate Purchase # 1, \$894,329 and Real Estate Purchase #2, \$2,393,396. In March 2010, the OCDA re-negotiated the two real estate agreements into a consolidated note in the amount of \$2,700,000. The note requires quarterly interest payments only through March 2012 when the entire principle is due.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Violation of Debt Agreement - West Virginia Infrastructure Council
2010-05**

CONDITION:

The Development Authority was not in compliance with the provisions of an agreement entered into with the West Virginia Infrastructure Council dated June 12, 2009. Specifically, the Authority failed to make twelve scheduled payments of approximately \$16,722 each. As of June 30, 2010, the note had outstanding principal payments of \$107,477 and accrued interest of \$87,062 that were past due.

CRITERIA:

As part of an Agreement entered in June 2009 between the Authority and the West Virginia Infrastructure Council, the Authority agreed to pay the council the total sum of \$3,000,000. The specific terms located in Item (1) of the agreement were as follows:

"Commencing on the first day of July, 2009, and continuing thereafter on the same day of each of the next succeeding 238 months, the Borrower shall make a payment of principal and interest to Lender reflected on schedule A attached hereto and incorporated herein by reference."

The agreement further states that:

"Beginning on the twelfth day of June, 2009, and continuing thereafter until the Loan is paid in full; the principal balances outstanding on the Loan shall bear interest at a fixed rate per annum equal to 3%."

CAUSE:

The Authority lacked the necessary financial resources to meet the obligation.

EFFECT:

The Authority risks the loss of assets pledged against that debt. Additionally, the failure to meet obligations may inhibit the Authority's ability to borrow funds in the future.

RECOMMENDATION:

Debt obligations should be paid by the Authority when they become due.

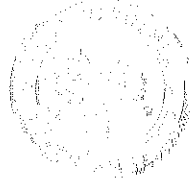
AUDITED AGENCY'S RESPONSE:

As the national economic downturn was taking place, the retail market slowed and OCDA's cash flows were hampered. At June 30, 2010, the OCDA was not in compliance with the West Virginia Infrastructure Council loan, \$194,539. In November 2010 and February 2011, the OCDA made the necessary payments to make the loan current.

**OHIO COUNTY DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Status of Prior Year Findings

Finding Number	Title	Status
2009-01	General Ledger Activity	Partially Resolved (2010-01)
2009-02	Allocation of Land Value	Resolved
2009-03	Formalized Billing System	Resolved
2009-04	Violation of Debt Agreement - Real Estate Purchase #1	Repeated (2010-03)
2009-05	Violation of Debt Agreement - Real Estate Purchase #2	Repeated (2010-04)
2009-06	Violation of Debt Agreement - Real Estate Purchase #3	Resolved
2009-07	Violation of Debt Agreement	Resolved



State of West Virginia

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Glen B. Gainer III
State Auditor and
Chief Inspector

Stuart T. Stickel, CPA
Deputy Chief Inspector

MANAGEMENT LETTER

Honorable Members of the
Ohio County Development Authority
Wheeling, West Virginia 26003

In accordance with *Government Auditing Standards* applicable to financial reviews, we have audited the financial statements of the Ohio County Development Authority, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 14, 2011.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal control over financial reporting and report any irregularities, illegal acts, other material noncompliance and reportable conditions in internal control. We have issued the required report dated March 14, 2011 for the year ended June 30, 2010.

We are also submitting for your consideration the following comments that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or reportable internal control conditions, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our review, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. We have already discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. If you have any questions, please do not hesitate to contact us.

Legal Compliance Matters

Fringe Benefits

It was noted during the course of the audit that the Authority purchased clothing for employees of the County. The clothing items purchased are considered items that could be worn outside of employment and therefore should have been reported as income to the employees. Clothing purchases of this nature are considered fringe benefits to employees and are subject to federal taxation.

Recommendation:

We recommend that management review the applicable tax guidance pertaining to fringe benefits.

Suggestions to Improve Operations

Reimbursement of Payroll Expenses/Payment to Contractors

It was noted during the course of the audit that the Authority failed to reimburse the Ohio County Commission for payroll expenses that have been paid by the County on behalf of the Authority. Over the past three years, the Authority has accumulated approximately \$817,000 in payroll expenses and related that have not been reimbursed to the County. These amounts are booked as payables by the Authority. Additionally, it was noted the Authority frequently makes lump sum payments to vendors and that accounts payable, in some instances, are outstanding for long periods of time.

Recommendation:

We recommend the Authority take the necessary actions to meet current obligations with the understanding that current economic conditions have greatly hampered that process. We further recommend the Authority develop a short and long term cash forecast to meet operating needs.

Billing System

It was noted the Authority has a large amount of delinquent accounts related to CAM fees and tax collections. It was also noted the Authority does not segregate the revenue related to the portion of CAM fees that are related to tax reimbursements.

Recommendation:

It may enhance the collectability if the manner in which these fees are billed are analyzed and done in a timely fashion. Additionally, it may provide relevant financial information for management if the tax collections are segregated so they can be compared to the amount the Authority pays for ad valorem tax in the area.

Honorable Members of the
Ohio County Development Authority
Management Letter
Page 3

Transaction Approval

It was noted that customer master files can be edited without approval. Additionally, it was noted certain transactions related to customer accounts and intergovernmental activity are made without board approval.

Recommendation:

Proper approval should be obtained for non-routine transactions.

These comments are intended for the Council members, management, grantor agencies and federal awarding agencies, and are not intended to be and should not be used by anyone other than these specified parties.

In closing, on behalf of the audit staff, we appreciate the opportunity to present these comments and recommendations for your consideration. We would like to thank management for its hospitality, cooperation, positive attitude and openness to suggestion.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer, III". The signature is written in a cursive style with a horizontal line at the end.

Glen B. Gainer, III
West Virginia State Auditor

March 14, 2011