



SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

Appalachian Regional Commission

Fiscal Year 2012



ARC's Mission

ARC's mission is to be a strategic partner and advocate for sustainable community and economic development in Appalachia.

GENERAL GOAL 1

Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation.

Strategic Objectives

- 1.1 Develop Leaders and Strengthen Community Capacity
- 1.2 Diversify the Economic Base
- 1.3 Enhance Entrepreneurial Activity in the Region
- 1.4 Develop and Market Strategic Assets for Local Economies
- 1.5 Increase the Domestic and Global Competitiveness of the Existing Economic Base
- 1.6 Foster the Development and Use of Innovative Technologies
- 1.7 Capitalize on the Economic Potential of the Appalachian Development Highway System
- 1.8 Encourage Sustainable Economic Use of Natural Resources
- 1.9 Encourage Investments in Energy Projects that Create Jobs

Outcome measure: Number of jobs created or retained.

GENERAL GOAL 2

Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy.

Strategic Objectives

- 2.1 Develop Leaders and Strengthen Community Capacity
- 2.2 Enhance Workforce Skills through Training and Education
- 2.3 Increase Access to Quality Child Care and Early Childhood Education
- 2.4 Increase Educational Attainment and Achievement
- 2.5 Expand Community-Based Wellness and Disease-Prevention Efforts
- 2.6 Increase the Availability of Affordable, High-Quality Health Care

Outcome measure: Number of students/trainees with improvements.

GENERAL GOAL 3

Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive.

Strategic Objectives

- 3.1 Develop Leaders and Strengthen Community Capacity
- 3.2 Build and Enhance Basic Infrastructure
- 3.3 Increase Access to and Use of Telecommunications Technology
- 3.4 Preserve and Enhance Environmental Assets
- 3.5 Promote the Development of an Intermodal Transportation Network

Outcome measure: Number of households served with new or improved water and/or sewer infrastructure, and number of jobs created or retained.

GENERAL GOAL 4

Build the Appalachian Development Highway System to Reduce Appalachia's Isolation.

Strategic Objectives

- 4.1 Develop Leaders and Strengthen Community Capacity
- 4.2 Promote the Successful Development of the Appalachian Development Highway System (ADHS)
- 4.3 Improve Planning to Enhance Multi-Jurisdictional Coordination and Efficiency
- 4.4 Encourage Intermodal Coordination
- 4.5 Enhance the Energy Efficiency of the Transportation System
- 4.6 Develop a Transportation System that Enhances and Preserves the Region's Environmental Quality

Outcome measure: Net increase in the number of miles of the ADHS open to traffic.

SUMMARY OF ARC'S PERFORMANCE AND FINANCIAL INFORMATION, FY 2012

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a unique partnership of federal, state, and local governments. The Commission is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the president. Local participation is provided through multi-county local development districts. The Appalachian Region includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

This report is a summary of information from ARC's *FY 2012 Performance and Accountability Report*. The full report is available at www.arc.gov.

SUMMARY OF ACHIEVEMENTS

Performance Goals and Results for ARC's Fiscal Year 2012 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2012 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Jobs and Income		
<i>Outcome Goal:</i> 20,000 jobs created or retained	20,112 jobs created or retained	Met goal
<i>Leveraging Goal:</i> Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1	Achieved a 4:1 ratio	Met goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 35% of funds*	Met 70% of goal
Competitiveness		
<i>Outcome Goal:</i> 20,000 students/trainees with improvements	20,315 students/trainees with improvements	Met goal
<i>Matching Goal:</i> Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2	Achieved a 1:1 ratio	Met goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2	Directed 83% of funds*	Exceeded goal
Infrastructure		
<i>Outcome Goal:</i> 20,000 households served	19,708 households served	Met 99% of goal
<i>Matching Goal:</i> Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General Goal 3	Achieved a 4:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 3	Directed 60% of funds*	Exceeded goal
Highways		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 0 additional miles (net increase) of the ADHS to traffic**	Met 0% of goal

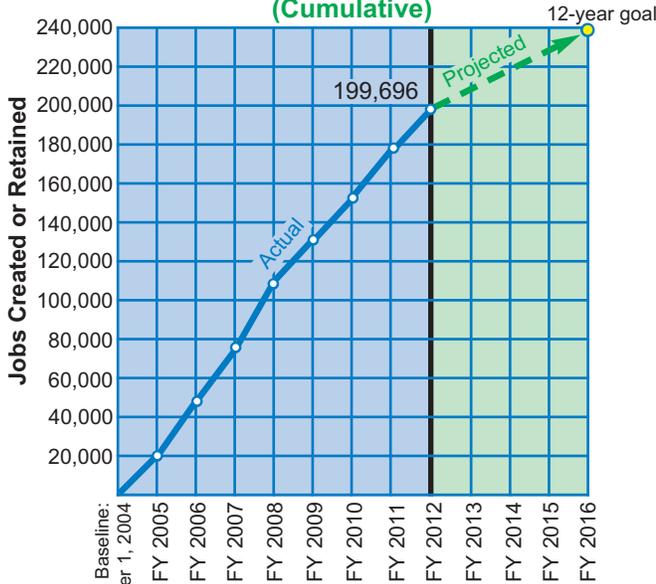
* In FY 2012, 57 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

** Although no miles were opened to traffic in FY 2012, 3 miles were completed but not yet opened, and another 10 miles were opened to traffic in October, just after the end of the fiscal year.

PROGRESS TOWARD ARC'S STRATEGIC PLAN PERFORMANCE GOALS

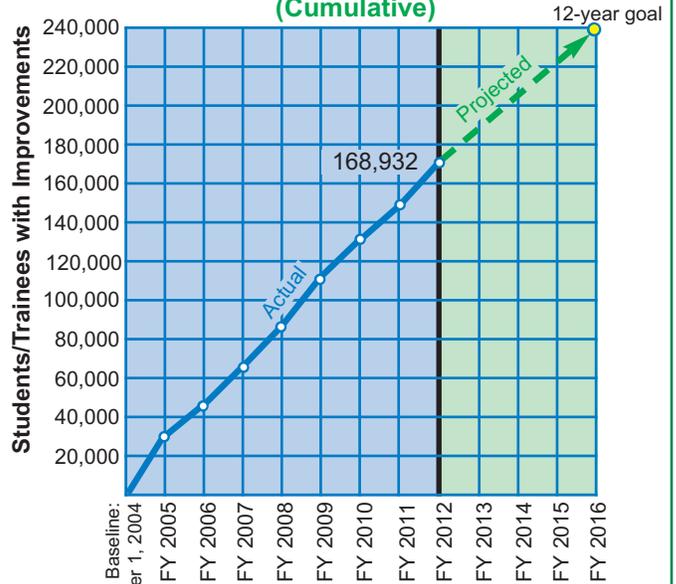
Fiscal Years 2005–2016

Goal 1: Jobs Created or Retained (Cumulative)



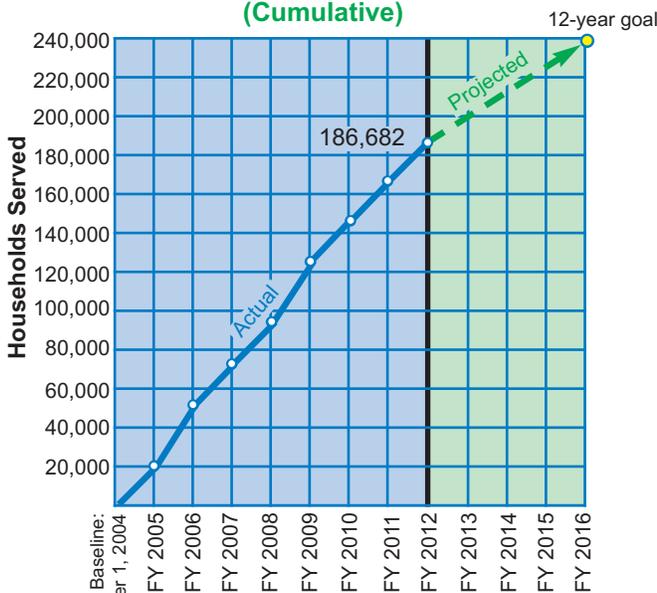
Twelve-Year Performance Goal: 240,000 jobs will be created or retained.

Goal 2: Students/Trainees with Improvements (Cumulative)



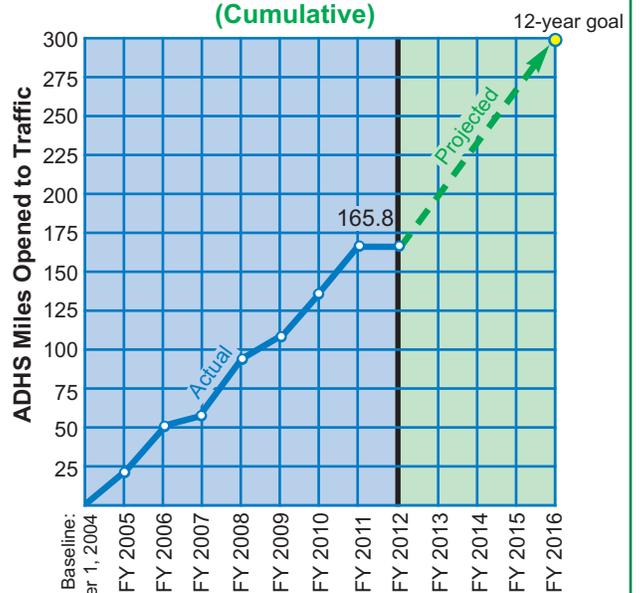
Twelve-Year Performance Goal: 240,000 citizens will benefit from enhanced education and job-related skills.

Goal 3: Households Served (Cumulative)



Twelve-Year Performance Goal: 240,000 households will be served with new or improved water and sewer infrastructure.

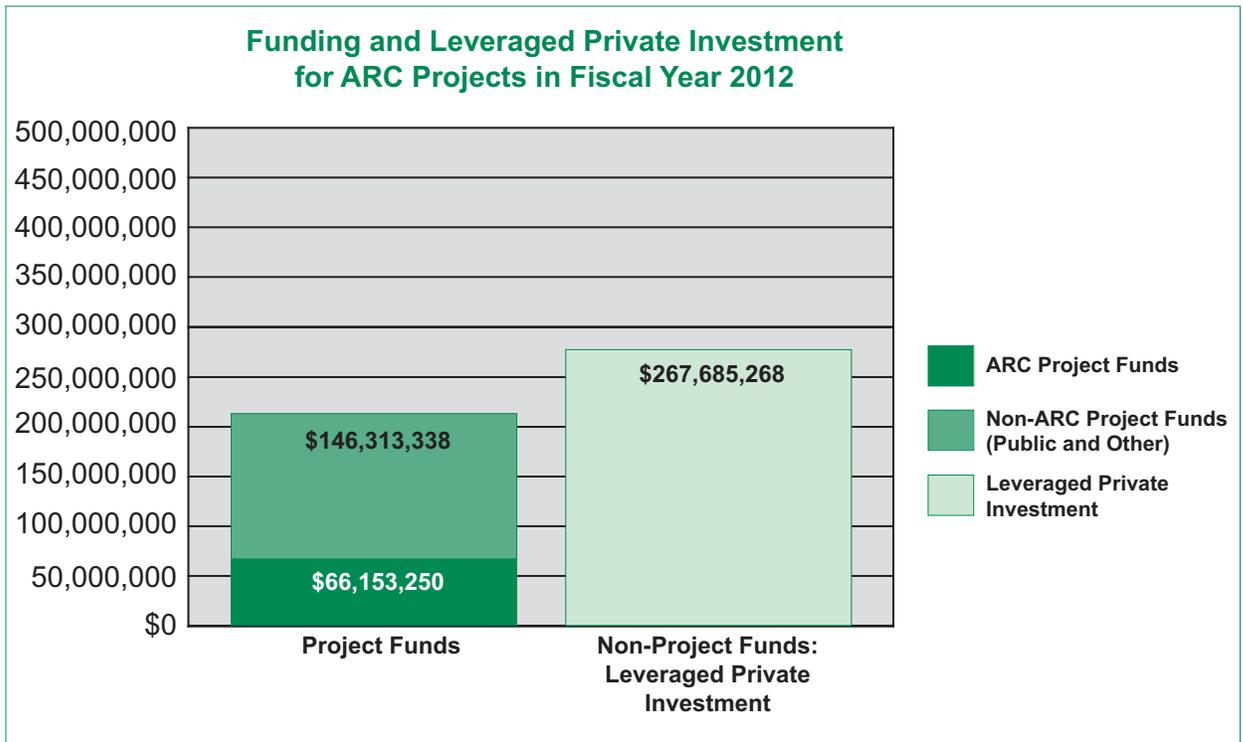
Goal 4: ADHS Miles Opened to Traffic (Cumulative)



Twelve-Year Performance Goal: 300 additional miles (net increase) of the Appalachian Development Highway System will be opened to traffic.

INVESTMENT SUMMARY FOR FY 2012 PROJECTS

In FY 2012, ARC approved \$66.2 million in funding for 418 nonhighway projects that advanced one or more of the three nonhighway goals of ARC's 2011–2016 strategic plan.



LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2012		
Leveraged private investment	\$267,685,268	4:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$146,313,338	2:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$37,784,694*	57% of total ARC project funds directed to projects that benefit distressed counties or areas

* Project funds are included if the project primarily or substantially benefits distressed counties or areas.

SUMMARY OF FINANCIAL STATUS

Part III of the *ARC FY 2012 Performance and Accountability Report* includes information about the financial status of the Appalachian Regional Commission. In the unqualified opinion of ARC's independent auditor, Martin and Wall, a division of Chortek and Gottschalk, LLP, the financial statements included in that section fairly represent, in all material respects, the financial position of the Commission as of September 30, 2012, and ARC's net costs, changes in net position, and budgetary resources for the year ended in conformity with U.S. generally accepted accounting principles (GAAP) and OMB Circular A-136. The financial statements taken together include all aspects of ARC, including the Office of the Federal Co-Chair, area development programs, and administrative/operational activities performed by the Commission. The FY 2012 audit of ARC's financial statements rendered a "clean opinion."

Assets on September 30, 2012, totaled \$199.2 million, versus \$209.3 million in FY 2011. The reduction was due to a decrease in the fund balance with the U.S. Department of the Treasury, which was partially offset by increases in intragovernmental and grantee advances. Liabilities equaled \$8.9 million in FY 2012 versus \$8.4 million in FY 2011. The increase was due to an increase in the grantee accrual amount. Seventy-seven percent of ARC's assets were in the U.S. Treasury. In addition, 13.9 percent, or \$27.8 million, represented Commission grant funds held by intermediary organizations in Appalachia for the operation of revolving loan funds promoting business development. The federal government retains a residual interest in the loan funds. ARC also advanced funds equaling \$12.6 million to three federal agencies for the purpose of servicing grants. Remaining assets are cash and advances to grantees.

The net position decreased from \$200.9 million in FY 2011 to \$190.3 million in FY 2012. This decrease was due to an increase in the amount of appropriations used in the form of grantee obligations.

Liabilities included \$7.7 million in payments due to grantees, \$904,548 in accrued benefits and pension liability, and \$246,275 in other agency transactions.

The net cost of operations for FY 2012 totaled \$78.8 million, the same as in FY 2011. The statement of changes in net position was broken down between an earmarked fund and all other funds. The earmarked fund represents the operating costs of the Commission, of which 50 percent is paid by ARC's congressional appropriation and 50 percent by the 13 Appalachian states. Commission operating costs exclude costs for the Office of the Federal Co-Chair and the Office of Inspector General, which are fully covered by congressional appropriations. The net position of the earmarked fund was \$2.8 million, and the consolidated net position was \$190.3 million.

ARC receives most of its resources from congressional appropriations, which totaled \$68.3 million in FY 2012. In addition, ARC received \$4.1 million from the 13 member states to pay for the Commission's operating costs. The statement of budgetary resources reported net outlays of \$88.2 million. ARC

incurred obligations of \$85.3 million in FY 2012 and has an unpaid obligated balance (net, end of period) of \$130.1 million. Of FY 2012 obligations, \$77.1 million funded ARC's Area Development Program, \$8.2 million funded the Commission Trust Fund, and the remainder was directed to the Appalachian Development Highway system.

SUMMARY OF SIGNIFICANT MANAGEMENT CHALLENGES

Grant Management

A particular ARC grant management challenge derives from the required transfer of responsibilities for grant administration of many projects from the Commission to federal agencies. This contributes to delays in obtaining information on project status and timely ARC and state follow-up action on inactive projects to determine the potential for grant de-obligations that would make the funds available for needed economic development projects in Appalachia. The large majority of older inactive grants pertain to grants administered by other agencies, and the Commission has emphasized action, including timely follow-up and decisions, on these grants.

A related challenge involves reducing the extent to which a large majority of grant applications are received, and grant approvals finalized, during the last quarter of the fiscal year. This challenge involves various factors, including delayed grant application submission by states and availability of project funding, due in part to the OMB apportionment process used for ARC.

Financial Reporting

ARC transfers a material portion of its appropriation annually to child agencies to carry out its mission; however, the transfers are relatively minor for the child agencies receiving them and are not material to their financial reporting. The child agencies' auditors generally do not audit at the materiality level needed by ARC, and reports of activities and balances are not made a priority by the child agencies. ARC has continued coordinating activities with basic agencies to ensure that required audit transaction testing data is received from child agencies in a more timely manner.

IT Support Infrastructure

Management has continued to address the issue of upgrading agency IT support infrastructure. ARC continues emphasis and action on full implementation of ARC.net, its grant management system, which provides online availability and control of operational information.



APPALACHIAN REGIONAL COMMISSION

1666 Connecticut Avenue, NW, Suite 700

Washington, DC 20009-1068

www.arc.gov

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