



# **SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION**

Appalachian Regional Commission  
Fiscal Year 2013

**Appalachian Regional Commission**  
1666 Connecticut Avenue, NW  
Suite 700  
Washington, DC 20009-1068

[www.arc.gov](http://www.arc.gov)

**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 2013

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 2013 Performance and Accountability Report*. The full report is available at [www.arc.gov](http://www.arc.gov).

## SUMMARY OF ACHIEVEMENTS

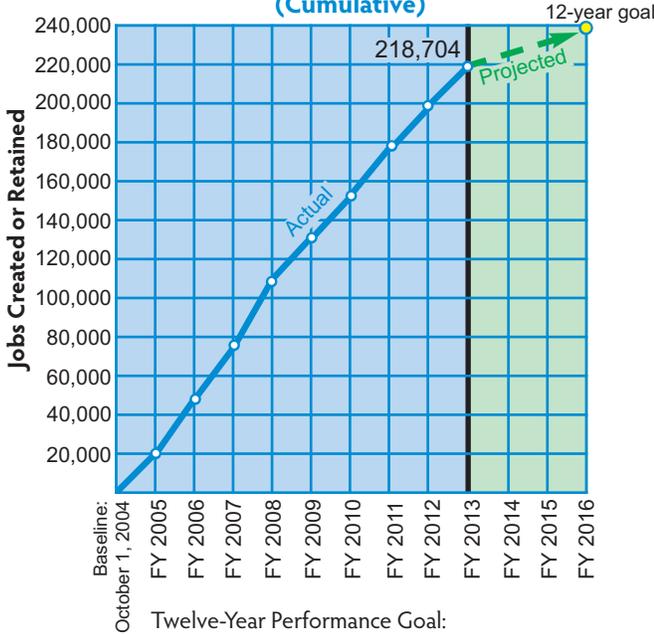
### Performance Goals and Results for Fiscal Year 2013 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2013 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Outcome Goal:</i> 19,000 jobs created or retained	19,008 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 3:1 ratio	Met 75% of goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 47% of funds*	Met 94% of goal
<b>Competitiveness</b>		
<i>Outcome Goal:</i> 19,000 students/trainees with improvements	22,749 students/trainees with improvements	Exceeded 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 79% of funds*	Exceeded goal
<b>Infrastructure</b>		
<i>Outcome Goal:</i> 19,000 households served	21,863 households served	Exceeded goal
<i>Matching Goal:</i> Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General Goal 3	Achieved a 3:1 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 67% of funds*	Exceeded goal
<b>Highways</b>		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 21.5 additional miles (net increase) of the ADHS to traffic	Met 86% of goal

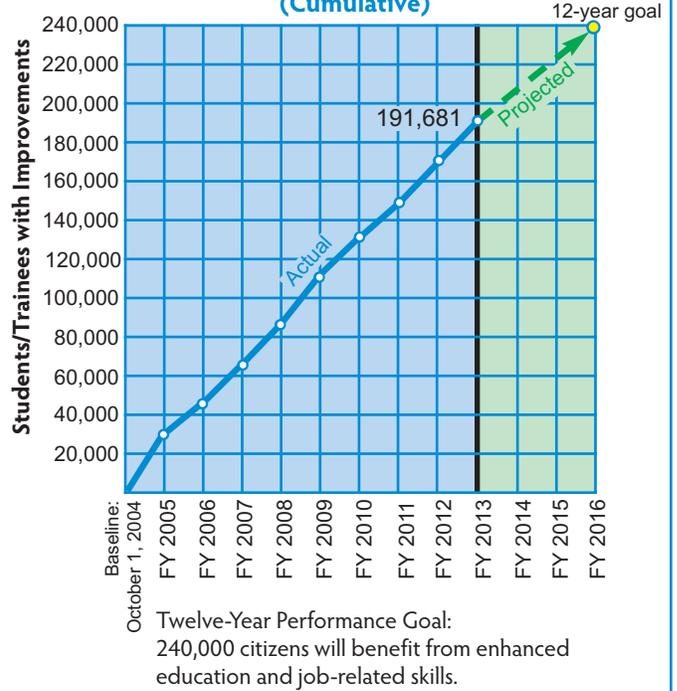
\* In FY 2013, 61 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

## Progress toward ARC Strategic Plan Performance Goals Fiscal Years 2005–2016

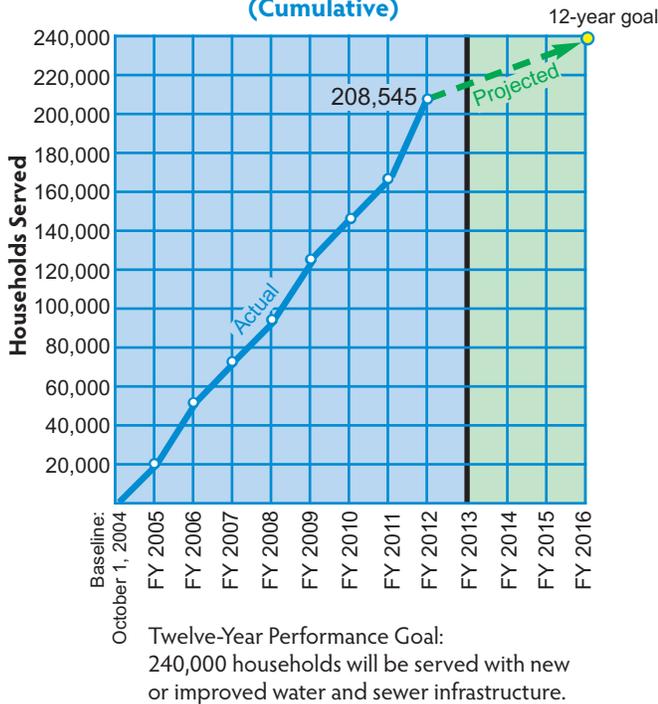
**Goal 1: Jobs Created or Retained (Cumulative)**



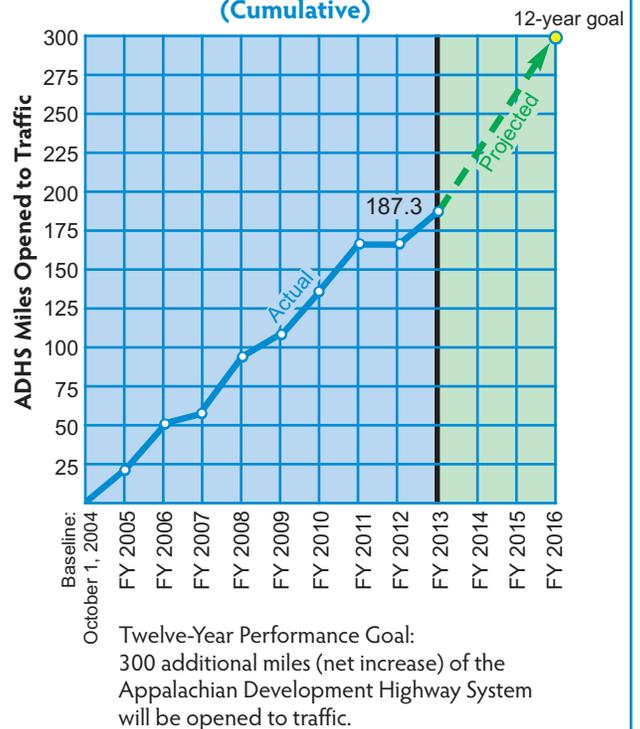
**Goal 2: Students/Trainees with Improvements (Cumulative)**



**Goal 3: Households Served (Cumulative)**



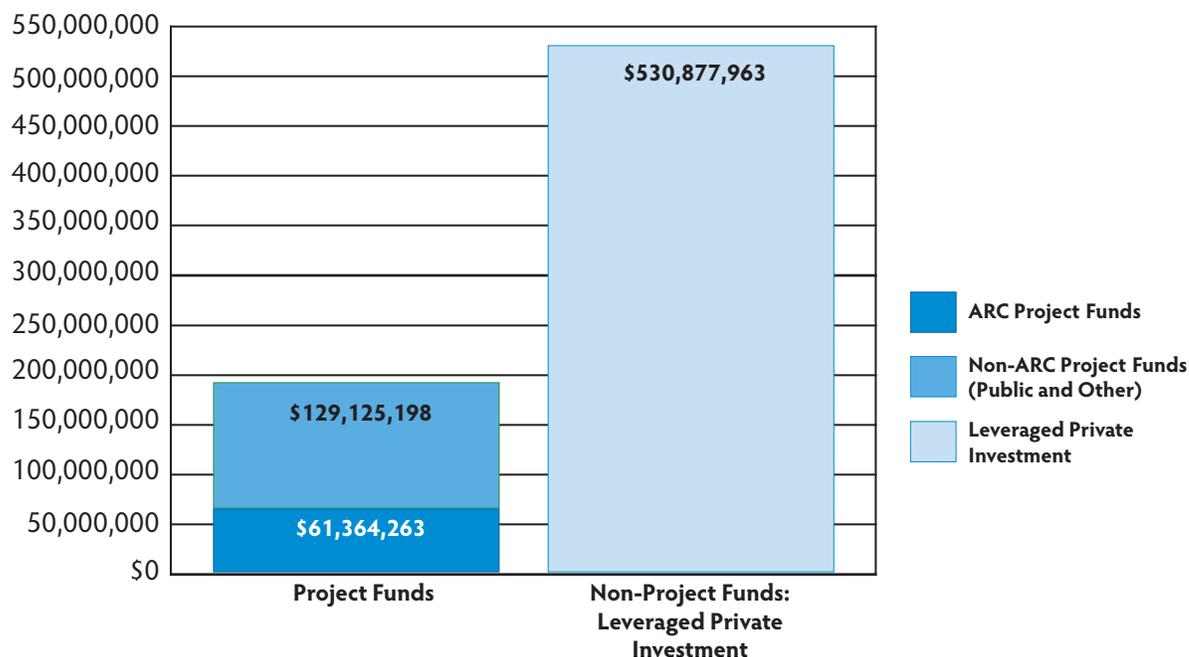
**Goal 4: ADHS Miles Opened to Traffic (Cumulative)**



## INVESTMENT SUMMARY FOR FY 2013 PROJECTS

In FY 2013, ARC approved \$61.4 million in funding for 393 nonhighway projects that advanced one or more of the three nonhighway goals of ARC’s 2011–2016 strategic plan.

**Funding and Leveraged Private Investment for ARC Projects in Fiscal Year 2013**



LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2013		
Leveraged private investment	\$530,877,963*	9:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$129,125,198	2:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$37,507,606**	61% of total ARC project funds directed to projects that benefit distressed counties or areas

\* Two large-scale projects that had limited ARC participation were not included in this table.  
 \*\*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 2013 Performance and Accountability Report* includes information about the financial status of the Appalachian Regional Commission. In the unmodified opinion of ARC's independent auditor, Chortek LLP, the financial statements included in that section fairly represent, in all material respects, the financial position of the Commission as of September 30, 2013, 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.

Assets on September 30, 2013, totaled \$185.9 million, versus \$199.2 million in FY 2012. 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 \$9.2 million in FY 2013 versus \$8.9 million in FY 2012. The increase was due to an increase in the grantee accrual amount. Seventy-five percent of ARC's assets were in the U.S. Treasury. In addition, 15.6 percent, or \$29.0 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 \$11.3 million to three federal agencies for the purpose of servicing grants. Remaining assets are cash and advances to grantees.

The net position decreased from \$190.3 million in FY 2012 to \$176.8 million in FY 2013.

Liabilities included \$8.2 million in payments due to grantees, \$730,509 in accrued benefits and pension liability, and \$133,952 in other agency transactions.

The net cost of operations for FY 2013 totaled \$78.4 million. 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 \$3.9 million, and the consolidated net position was \$176.8 million.

ARC receives most of its resources from congressional appropriations, which totaled \$64.9 million in FY 2013. In addition, ARC received \$3.9 million from the 13 member states to pay for the Commission's operating costs. The statement of budgetary resources reported net outlays of \$81.3 million. ARC incurred obligations of \$73.9 million in FY 2013 and has an unpaid obligated balance (net, end of period) of \$112.6 million. Of FY 2013 obligations, \$65.3 million funded ARC's Area Development Program, \$7.9 million funded the Commission Trust Fund, and the remainder was directed to the Appalachian Development Highway System.

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

Notes are attached to the financial statements to describe and explain important disclosure information about line items in the statements and related financial policies and programs.

## SUMMARY OF SIGNIFICANT MANAGEMENT CHALLENGES

### **Grant Management**

A continuing management challenge derives from the required transfer of grant administration for construction related projects to other Federal Agencies (Child Agencies). This contributes to delays in obtaining information on project status and timely ARC and State follow-up action on inactive grants to determine the potential for grant closings, cancellation and de-obligations that would make funds available for other needed economic development projects in Appalachia. A related challenge involves the extent to which other Federal agencies implement grant administration and monitoring responsibilities in line with applicable Memorandums of Understanding between ARC and the applicable agencies. In order to reduce the Child Agency issues ARC now also utilizes State agencies to provide grant administration.

A continuing challenge involves reducing the extent to which a large majority of grant applications are received and grant approvals finalized during the last quarter for the fiscal year. This challenge involves various factors including delayed grant application submissions 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 these 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 assure that required audit transaction testing data is received more timely from child agencies.

### **IT Support Infrastructure**

Management has continued to address 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.



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