



APPALACHIAN REGIONAL COMMISSION

SUMMARY OF PERFORMANCE
& FINANCIAL INFORMATION

FY 2015

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	GENERAL GOAL 2	GENERAL GOAL 3	GENERAL GOAL 4
<p>Increase job opportunities and per capita income in Appalachia to reach parity with the Nation.</p>	<p>Strengthen the capacity of the people of Appalachia to compete in the global economy.</p>	<p>Develop and improve Appalachia's infrastructure to make the Region economically competitive.</p>	<p>Build the Appalachian Development Highway System to reduce Appalachia's isolation.</p>
<p>Strategic Objectives</p> <ul style="list-style-type: none"> 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 <p>Outcome measure: Number of jobs created or retained.</p>	<p>Strategic Objectives</p> <ul style="list-style-type: none"> 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 <p>Outcome measure: Number of students/trainees with improvements.</p>	<p>Strategic Objectives</p> <ul style="list-style-type: none"> 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 <p>Outcome measure: Number of households served with new or improved water and/or sewer infrastructure, and number of jobs created or retained.</p>	<p>Strategic Objectives</p> <ul style="list-style-type: none"> 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 <p>Outcome measure: Net increase in the number of miles of the ADHS open to traffic.</p>

SUMMARY OF ARC'S PERFORMANCE AND FINANCIAL INFORMATION, FY 2015

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 2015 Performance and Accountability Report](#). The full report is available at www.arc.gov.

SUMMARY OF ACHIEVEMENTS

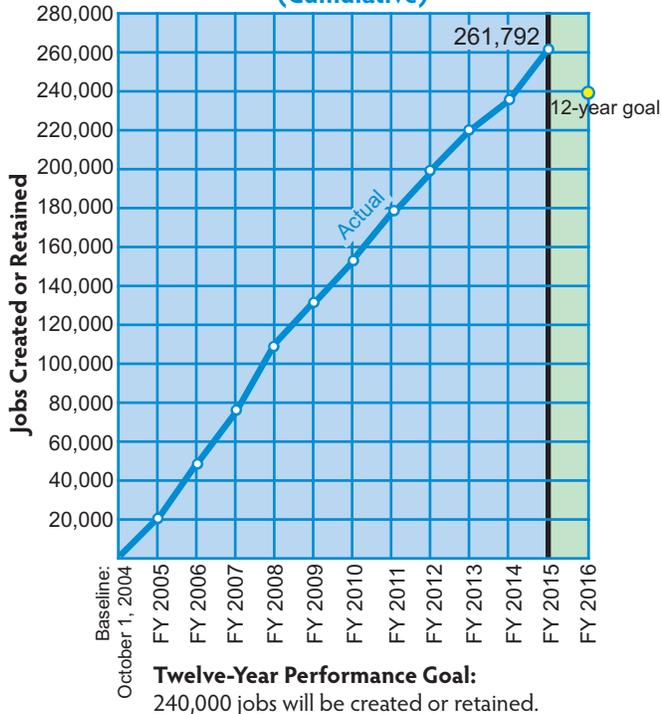
Performance Goals and Results for Fiscal Year 2015 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2015 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Jobs and Income		
<i>Outcome Goal:</i> 20,000 jobs created or retained	23,032 jobs created or retained	Exceeded 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 6:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 51% of funds*	Met goal
Competitiveness		
<i>Outcome Goal:</i> 20,000 students/trainees with improvements	23,123 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 nearly a 1:1 ratio	Met 78% of goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2	Directed 78% of funds*	Exceeded goal
Infrastructure		
<i>Outcome Goal:</i> 20,000 households served	25,593 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 78% of funds*	Exceeded goal
Highways		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 11.4 additional miles (net increase) of the ADHS to traffic	Met 46% of Goal

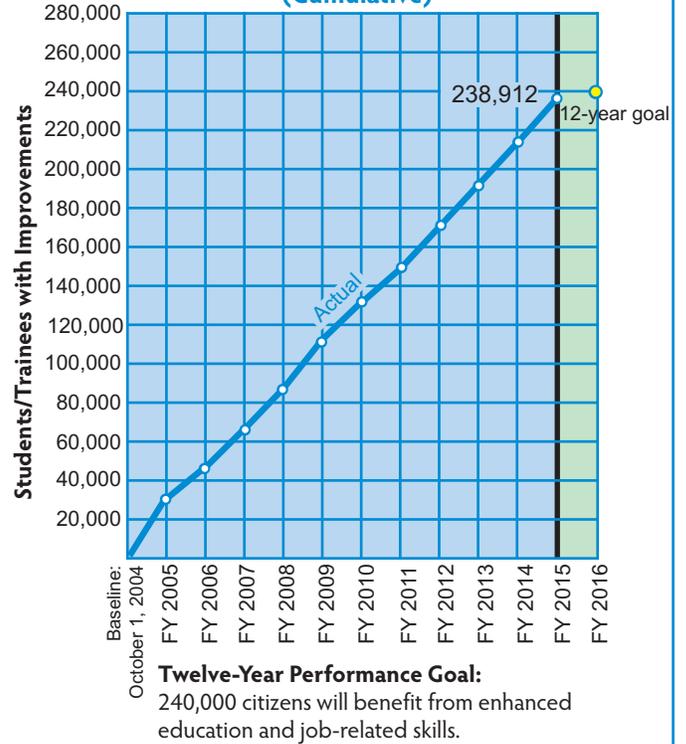
* In FY 2015, 72 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

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

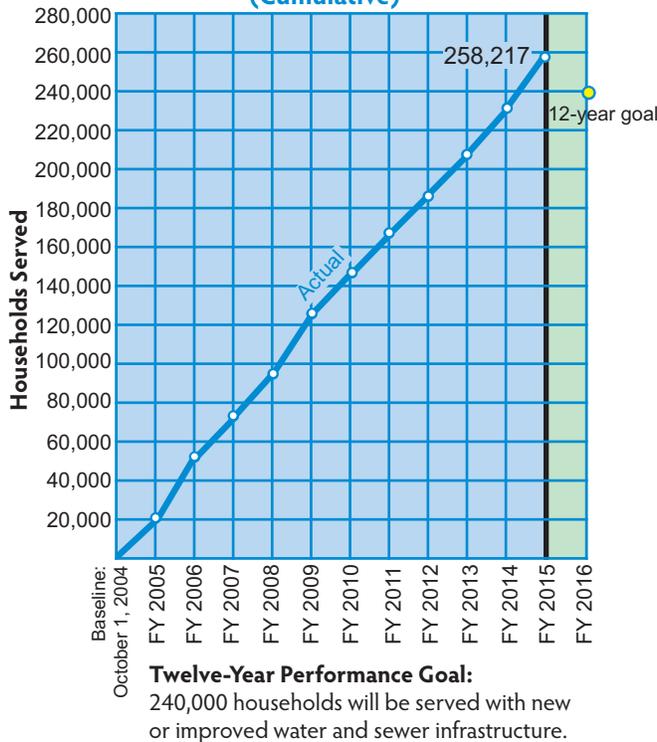
Goal 1: Jobs Created or Retained (Cumulative)



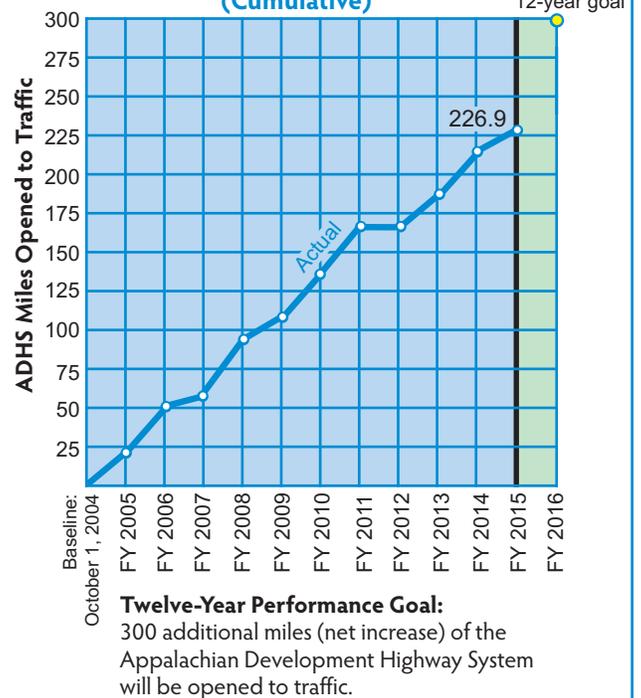
Goal 2: Students/Trainees with Improvements (Cumulative)



Goal 3: Households Served (Cumulative)



Goal 4: ADHS Miles Opened to Traffic (Cumulative)

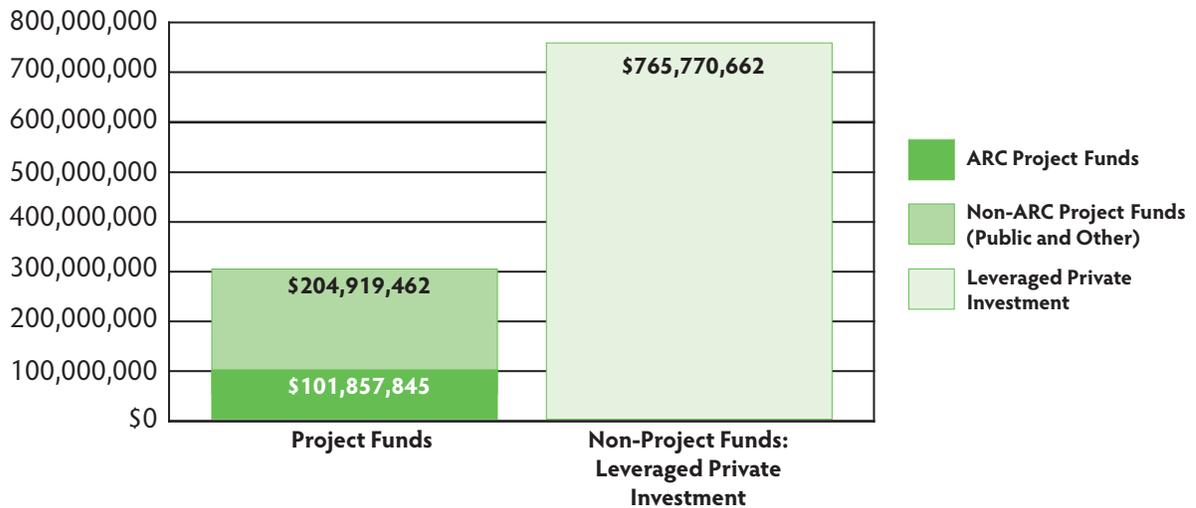


INVESTMENT SUMMARY FOR FY 2015 PROJECTS

In FY 2015, ARC approved \$101.9 million in funding for 466 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 2015		
Leveraged private investment	\$765,770,662	8:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$204,919,462	2:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$73,402,111*	72% of total ARC project funds directed to projects that benefit distressed counties or areas
<i>*Project funds are included if the project primarily or substantially benefits distressed counties or areas.</i>		

**Funding and Leveraged Private Investment
for ARC Projects in Fiscal Year 2015**



SUMMARY OF FINANCIAL STATUS

Part III of this Performance and Accountability Report includes information about the financial status of the Appalachian Regional Commission. In the unmodified opinion of ARC's independent auditor, Choritek LLP, the financial statements included in that section fairly represent, in all material respects, the financial position of the Commission as of September 30, 2015, 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, 2015, totaled \$230.0 million, versus \$202.2 million in FY 2014. The change was due to increases in the fund balance with the U.S. Department of the Treasury as well as to grantee advances. Liabilities equaled \$10.4 million in FY 2015 versus \$11.1 million in FY 2014. The decrease was due to reductions in liabilities for advances and prepayments, and accounts payable. The U.S. Treasury held 78 percent of ARC's assets. In addition, 12.6 percent, or \$28.9 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 \$8.2 million to two federal agencies for the purpose of servicing grants. Remaining assets are cash and advances to grantees.

The net position increased from \$191.0 million in FY 2014 to \$219.6 million in FY 2015.

Liabilities included \$7.5 million in payments due to grantees, \$723,271 in accrued benefits and pension liability, and \$530,350 in other agency transactions.

The net cost of operations for FY 2015 totaled \$60.5 million, compared with \$66.1 million in FY 2014.

ARC receives most of its resources from congressional appropriations, which totaled \$90.0 million in FY 2015. 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 \$64.1 million. ARC incurred obligations of \$116.5 million in FY 2015 and has an unpaid obligated balance (net, end of year) of \$153.2 million. Of FY 2015 obligations, \$106.8 million funded ARC's Area Development Program.

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. In order to reduce Child Agency issues ARC is emphasizing use of State agencies to provide grant administration for construction related grants.

A particular and continuing challenge involves addressing the grant application and approval process that results in an inordinate number of grant applications and approvals being processed in the latter three months of the fiscal year. As a result there is an unbalanced staff workload and the significant year end approvals and obligations could be subject to criticism. This challenge involves various factors including delayed grant application submissions by States and availability of funding due in part to the OMB apportionment process used for ARC.

Financial Reporting

The accuracy of Financial Reporting continued to improve. The FY 2015 audit of financial statements rendered another "clean opinion".

An ongoing challenge for ARC is to comply with OMB Circular A-136. One of ARC's most difficult ongoing A-136 challenges is attempting to satisfy Section 3 Financial Section; II.4.2 Q&As; Question 5 of OMB Circular A-136, Financial Reporting Requirements, under which a parent agency (transferor of the appropriation) must report all budgetary and proprietary activity in its financial statements, whether that activity is material to child agencies or not. ARC has parent relationships with five departments and agencies to each of whom it transfers its appropriated funds for purposes of accomplishing economic development activities in the Appalachian Region, largely through Federal grants. These activities are authorized by the Appalachian Regional Development Act of 1965, as amended, 40 U.S.C. 14101-14704.

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.

In FY 2015 the Appalachian Regional Commission renewed its contract with the GSA External Services Division to perform the Commission's accounting and financial reporting. During FY 2015, the U.S. Department of Agriculture (USDA) National Finance Center acquired GSA's Financial Management Line of Business operations, including its financial services. The Appalachian Regional Commission's GSA contract was transferred to USDA. ARC supplements these financial services with ARC.net, a management information system that provides real-time funding, grant-status, and performance-measurement information, as well as grant-related financial data, in an intranet environment available to staff and key state officials. ARC.net applications are built using an industry-standard programming language.

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.



APPALACHIAN REGIONAL COMMISSION

1666 Connecticut Avenue, NW, Suite 700

Washington, DC 20009-1068

www.arc.gov

ARC's FY 2015 Performance and Accountability Report is available at www.arc.gov