



**SUMMARY OF PERFORMANCE
& FINANCIAL INFORMATION**

**Appalachian Regional Commission
Fiscal Year 2016**

ARC's Mission

ARC's mission is to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia.

STRATEGIC INVESTMENT GOALS AND OBJECTIVES

Investment Goal 1

Economic Opportunities
Invest in entrepreneurial and business development strategies that strengthen Appalachia's economy.

Strategic Objectives

- 1.1 Strengthen entrepreneurial ecosystems and support for existing businesses.
- 1.2 Support the startup and growth of businesses, particularly in targeted sectors.
- 1.3 Enhance the competitiveness of the Region's manufacturers.
- 1.4 Promote export strategies to connect startup and established businesses with external and global markets.

Outcome measure: Number of jobs created or retained.

Investment Goal 2

Ready Workforce
Increase the education, knowledge, skills, and health of residents to work and succeed in Appalachia.

Strategic Objectives

- 2.1 Develop and support educational programs and institutions to prepare students for post-secondary education and the workforce.
- 2.2 Support programs that provide basic and soft-skills training to prepare workers for employment.
- 2.3 Develop and support career-specific education and skills training for students and workers, especially in sectors that are experiencing growth locally and regionally and that provide opportunities for advancement.
- 2.4 Increase local residents' access to STEAM and other skills training on state-of-the-art technology and processes across all educational levels.
- 2.5 Improve access to affordable, high-quality health care for workers and their families.
- 2.6 Use proven public health practices and establish sustainable clinical services to address health conditions that affect the Region's economic competitiveness.
- 2.7 Develop and support sustainable programs that remove barriers to participating in the workforce.

Outcome measure: Number of students, workers, and leaders with improvements.

Investment Goal 3

Critical Infrastructure
Invest in critical infrastructure—especially broadband; transportation, including the Appalachian Development Highway System; and water/wastewater systems.

Strategic Objectives

- 3.1 Promote the productive and strategic use of broadband and other telecommunications infrastructure to increase connectivity and strengthen economic competitiveness.
- 3.2 Ensure that communities have adequate basic infrastructure to implement their community and economic development objectives.
- 3.3 Support the construction and adaptive reuse of business-development sites and public facilities to generate economic growth and revitalize local economies.
- 3.4 Complete the Appalachian Development Highway System (ADHS) and construct local access roads to strengthen links between transportation networks and economic development.
- 3.5 Invest in intermodal transportation planning and infrastructure that builds on the ADHS and maximizes the Region's access to domestic and international markets.

Outcome measure: Number of businesses and households with access to improved infrastructure.

Investment Goal 4

Natural and Cultural Assets
Strengthen Appalachia's community and economic development potential by leveraging the Region's natural and cultural heritage assets.

Strategic Objectives

- 4.1 Preserve and strengthen existing natural assets in support of economic opportunities that generate local and regional benefits.
- 4.2 Preserve and strengthen existing cultural assets through strategic investments that advance local and regional economic opportunities.
- 4.3 Support strategic investments in natural and cultural heritage resources to advance local economic growth.
- 4.4 Support preservation and stewardship of community character to advance local economic growth.

Outcome measure: Number of businesses created or strengthened.

Investment Goal 5

Leadership and Community Capacity
Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.

Strategic Objectives

- 4.1 Develop and support robust inclusive leadership that can champion and mobilize forward-thinking community improvement.
- 4.2 Empower and support next-generation leaders and encourage authentic engagement in local and regional economic and community development.
- 4.3 Strengthen the capacity of community organizations and institutions to articulate and implement a vision for sustainable, transformative community change.
- 4.4 Support visioning, strategic planning and implementation, and resident engagement approaches to foster increased community resilience and generate positive economic impacts.
- 4.5 Develop and support networks, partnerships, and other models of collaboration that catalyze public, private, and nonprofit action for community impact.

Outcome measure: Number of communities with enhanced capacity.

SUMMARY OF ARC'S PERFORMANCE AND FINANCIAL INFORMATION, FY 2016

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.

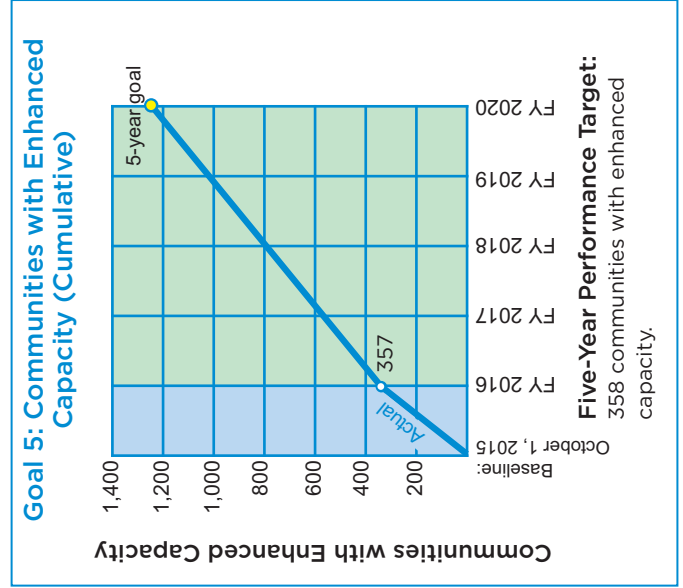
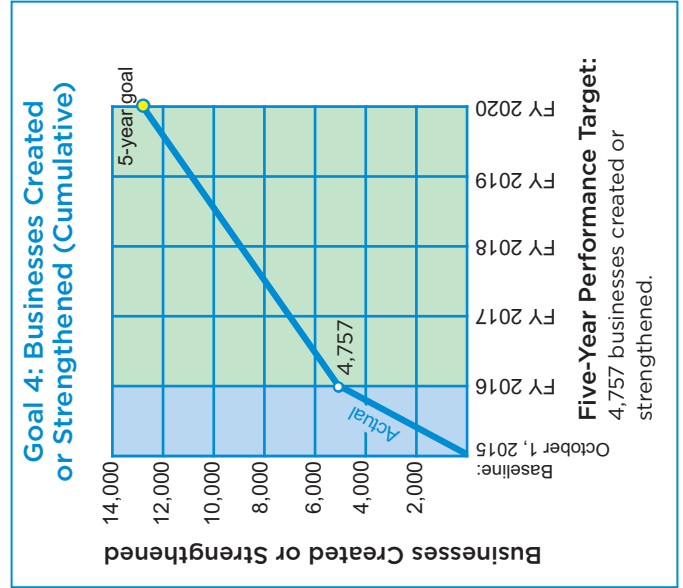
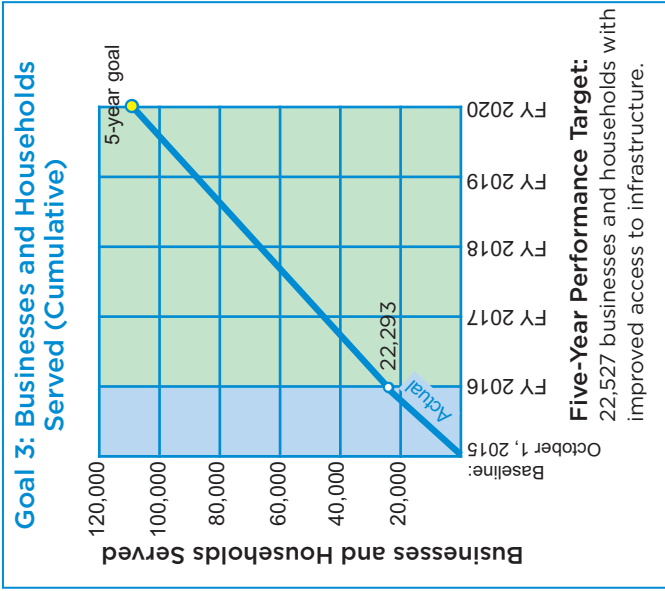
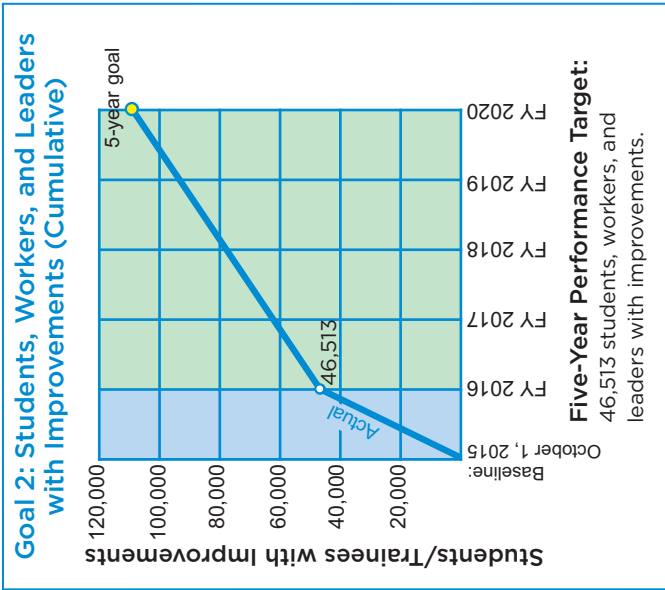
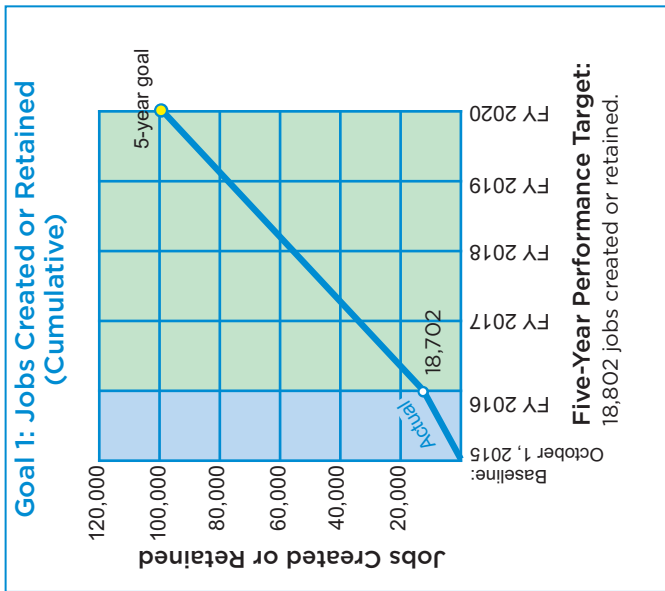
This report is a summary of information from ARC's [FY 2016 Performance and Accountability Report](#). The full report is available at www.arc.gov.

SUMMARY OF ACHIEVEMENTS

PERFORMANCE TARGETS AND RESULTS FOR FISCAL YEAR 2016 PROJECTS

ANNUAL PERFORMANCE TARGETS	RESULTS: INITIAL ESTIMATES	RESULTS ACHIEVED
Outcome Targets		
20,000 jobs created or retained	18,702 jobs created or retained	Met 94% of Target
22,000 students, workers, and leaders with improvements	46,513 students, workers, and leaders with improvements	Exceeded Target by 111%
22,000 businesses and households with access to improved infrastructure	22,293 businesses and households with access to improved infrastructure	Met Target
2,500 businesses created or strengthened	4,757 businesses created or strengthened	Exceeded Target by 90%
250 communities with enhanced capacity	357 communities with enhanced capacity	Exceeded Target by 43%
Leverage Target		
Achieve a 6:1 ratio of leveraged private investment to ARC funds	Achieved a 3:1 ratio	Met 50% of Target
Matching Target		
Achieve a 2:1 ratio of matching funds to ARC funds	Achieved a 2:1 ratio	Met Target
Distressed Counties/Areas Target		
Direct 50% of ARC funds to benefit distressed counties or areas	Directed 79% of funds*	Exceeded Target by 29 percentage points
<i>*Project funds are included if the project primarily or substantially benefits distressed counties or areas.</i>		

Progress toward ARC Strategic Plan Performance Goals, Fiscal Years 2016-2020



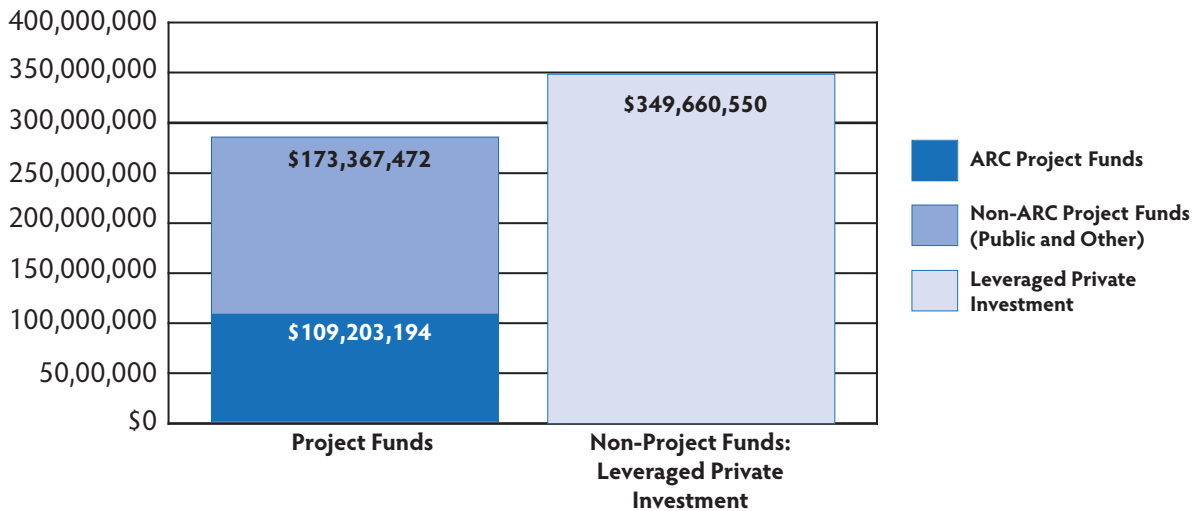
INVESTMENT SUMMARY FOR FY 2016 PROJECTS

In FY 2016, ARC approved \$109.2 million in funding for 470 area development projects that advanced one or more of the five goals of ARC's 2016–2020 strategic plan.

Investment Summary for FY 2016 Projects

LEVERAGE, MATCHING, AND DISTRESSED COUNTIES/AREAS SUMMARY for All ARC Nonhighway Projects Fiscal Year 2016		
Leveraged private investment	\$349,660,550*	3:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$173,367,472	2:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$86,214,533**	79% of total ARC project funds directed to projects that benefit distressed counties or areas
<small>*One large-scale project that had limited ARC participation was not included in this table. **Project files are included if the project primarily or substantially benefits distressed counties or areas.</small>		

Funding and Leveraged Private Investment for all ARC Projects in Fiscal Year 2016



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, Key & Associates, P.C., the financial statements included in that section fairly represent, in all material respects, the financial position of the Commission as of September 30, 2016, 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, 2016, totaled \$306.0 million, versus \$230 million in FY 2015. The change was due to an increase in the fund balance with the U.S. Department of the Treasury. Liabilities equaled \$11.76 million in FY 2016 versus \$10.4 million in FY 2015. The increase was due to increases in liabilities for advances and prepayments, and accounts payable. The U.S. Treasury held 86 percent of ARC's assets. In addition, 9.1 percent, or \$27.9 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 \$3.8 million to three federal agencies for the purpose of servicing grants. Remaining assets are cash and advances to grantees.

The net position increased from \$219.6 million in FY 2015 to \$294.1 million in FY 2016. FY 2016 Liabilities included \$8.3 million in payments due to grantees, \$833,030 of accrued salary and benefits, and \$2.6 million in cash and advances from federal and non-federal sources.

The net cost of operations for FY 2016 totaled \$71.6 million, compared with \$60.5 million in FY 2015. ARC receives most of its resources from congressional appropriations, which totaled \$146.0 million in FY 2016. In addition, ARC received \$4.0 million from the 13 member states to pay their 50% share of the Commission's operating costs. The Statement of Budgetary Resources reported net outlays of \$63.6 million.

ARC incurred obligations of \$123.2 million in FY 2016 and has an unpaid obligated balance (net, end of year) of \$197.5 million. Of FY 2016 obligations, \$113.6 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

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 FY 2016 audit and prior year's audits of financial statements rendered a "clean opinion".

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.

ARC previously transferred its accounting function to a shared services accounting platform which is now USDA Pegasys Accounting Services. The platform has helped improve accounting and control functions, especially those related to budgetary accounting.

IT Support Infrastructure

Management has continued to address upgrading agency IT support infrastructure and cyber security protections. . ARC continues emphasis and action on full implementation of ARC.net, its grant management system, which provides online availability and control of operational information. Management continued to contract with outside vendors providing IT.



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