

## **Open Meetings Notice**

The meeting of the Board of Directors for the Wisconsin Economic Development Corporation will be held on November 15, 2019 in WEDC's First Floor Conference Room located at 201 West Washington Avenue, Madison, WI 53703. The items to be discussed are included below. Note that some members of the Board may attend by phone. Note also that the meeting may be closed under Wis. Stat. § 19.85(1) if indicated below.

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### **Agenda**

#### **Wisconsin Economic Development Corporation Meeting of the Board of Directors**

**WEDC First Floor Conference Room  
201 West Washington Avenue  
Madison, WI 53703**

**November 15, 2019  
10:00 AM- 12:00 PM**

1. Call to Order and Roll Call
2. Approval of Minutes from the October 22, 2019 Meeting
3. Review the Audit and Budget Committee Charter
4. Review and Vote on Submission of Programmatic Report under Wis. Stat. § 238.07(1)
5. Year End Comprehensive Annual Financial Report (CAFR)
  - i) Introduction by CFO
  - ii) Presentation of the CAFR, Single Audit, and Auditor's Communication by Sikich
  - iii) Review and Approve the Comprehensive Annual Financial Report, Single Audit, and Auditor's Communication
6. Closed Session
  - i. *Under Wis. Stat. § 19.85(1)(e), a closed session is authorized for deliberating the investing of public funds whenever competitive or bargaining reasons require a closed session. The Board will be meeting in closed session for the purpose of updating the Board on economic development project negotiations. The Board will open the meeting again at the end of the closed session.*
7. Adjournment

**Wisconsin Economic Development Corporation  
Meeting of the WEDC Board**

**WEDC  
First Floor Conference Room  
201 West Washington Avenue  
Madison, WI 53703**

**October 22, 2019  
1:00-3:00 PM**

(These minutes should be read in conjunction with the agenda and documents prepared for the meeting.)

**BOARD MEMBERS IN PERSON:**

- Henry C. Newell, formerly Wausau Paper (Chair)
- Senator Dan Feyen
- Representative Gordon Hintz (arrive in person 1:38 PM)
- John Peterson, Schuette Metals
- John Brogan, Bank of Kaukauna
- John Oathout, American Bank
- Joseph Kirgues, gener8tor
- Lisa Mauer, Rickert Industries (depart 3:09 PM)
- Mike Kunesh, Place Perfect
- Randy Hopper, Mountain Dog Media
- Rebecca Cooke, Red's Mercantile
- Thelma Sias, We Energies (ret.)
- Secretary Peter Barca, Department of Revenue (depart 2:50 PM)
- Secretary Joel Brennan, Department of Administration

**BOARD MEMBERS PRESENT VIA TELECONFERENCE:**

- Jim Ladwig, SC Johnson (depart 3:01 PM)
- Representative Rob Hutton
- Senator Tim Carpenter (arrive 1:15 PM, depart 1:30 PM)

**BOARD MEMBERS EXCUSED:**

- Eugenia Podesta, Synergy Madison

## **CALL TO ORDER AND ROLL CALL**

WEDC Chair Hank Newell called the meeting to order at 12:59 PM.

Hank Newell requested a motion to approve the minutes from the September 25, 2019 Meeting. Motion was made by Lisa Mauer with a second by Becca Cooke.

## **CHAIR REPORT**

Hank Newell updated the Board on changes to the committee structure by reference to the WEDC Board Transmittal Letter dated October 17, 2019. The WEDC Board Transmittal Letter dated October 17, 2019 is incorporated into the minutes by reference.

The Audit Committee and the Budget and Finance Committee will be consolidated with a charter that will be prepared for adoption. Hank Newell thanked former Audit chair Randy Hopper, thanked former Budget and Finance chair Nancy Hernandez, thanked former Audit member Representative Gordon Hintz, thanked former Budget and Finance members Senator Dan Feyen, Eugenia Podesta, and Mike Kunesh. Hank Newell introduced Lisa Mauer as chair of the Audit and Budget Committee with members Randy Hopper, Senator Tim Carpenter, Representative Rob Hutton, Secretary Kathy Blumenfeld, and one position TBD.

Hank Newell thanked former Awards Administration Committee members John Reinke and Randy Hulke for their service. Hank Newell thanked former chair Jim Ladwig and introduced John Brogan as chair of AAC. Hank Newell introduced members John Oathout, Jim Ladwig, Thelma Sias, and two Non-Board members TBD. Hank Newell also thanked former Entrepreneurship and Innovation Committee member Eugenia Podesta and introduced Mike Kunesh to the Committee. Hank Newell also introduced a Strategic Alignment Process consisting of Eugenia Podesta, Senator Dan Feyen, Representative Gordon Hintz, and John Peterson who will work with management to establish a process to engage the Board in achieving strategic alignment around a Five-Year Strategy.

## **CEO REPORT**

WEDC Secretary and CEO Melissa Hughes presented the CEO Report to the Board. Melissa Hughes presented an overview of her state travel within the past few weeks. Melissa Hughes highlighted cities, businesses, and partners she was introduced to over her travels across the state of Wisconsin.

DOA Strategic Economic Initiatives Director Sam Ridders presented, and the Board discussed, the Foxconn Project Update. Sam Ridders updated the Board on the Wisconsin Valley, Mt. Pleasant, Racine County full development site. Sam Ridders updated the Board on the current planning and construction underway, including the SIO-LCD Manufacturing Facility, Power Substation, Fii Data Center, and Smart Manufacturing Center. Sam Ridders provided a status update on site development, site utility, roadway paving, and steelwork underway. Sam Ridders provided an update on the Economic Inclusion & Diversity results to date including the milestones of approximately 250 construction works on site each day and more than \$300 million in contracts awarded or out for bid. Wisconsin State Investments include WEDC, DOT, DOA, DWD, DNR, and DSPS.

## **COO REPORT**

WEDC COO Tricia Braun introduced Russell Kashian, Director, Fiscal and Economic Research Center & Choton Basu, Professor, IT&SCM, Sam Walton Fellow who presented on the UW-Whitewater Program Evaluation. Each presenter presented an outline executive summary for their reports evaluating both the Jobs Tax Credit Program (JTC) and the International Market Access Grant (IMAG). Each presenter detailed the methodology, data collections, and analysis included within the executive summaries provided to the Board and provided key recommendations and feedback from their studies.

## **CFO REPORT**

WEDC CFO Brian Nowicki presented, and the Board discussed, the CFO Report. Brian Nowicki presented the June 30, 2019 Quarterly Financials providing a financial support overview. The information provided on the June 30, 2019 Quarterly Financials is included within the report provided to the Board. Brian Nowicki also presented the Credit and Risk Report to the Board. The memo provided the Board summarizes and provides general comments regarding the Credit and Risk reports as of September 30, 2019.

## **COMMITTEE REPORTS**

Audit Chair Randy Hopper provided an overview of the Audit Committee meeting provided in the Audit Committee Memo.

### **Review and Vote on CLA Audits**

Brian Nowicki introduced Jake Lenell from Clifton Larson Allen (CLA) to present on the FY17 Audit Follow-up Report and the FY18 Audit Report for the six-month period ending December 31, 2017. To begin, Jake Lenell presented on the report addendum to the FY17 Verification of Annual Performance Measurements for WEDC Awards report. This review was performed to access whether the exceptions reported for the awardees on the initial report have been remediated. For the awardees where exceptions were reported, it was noted that all of the Performance Report exceptions and several of the Compliance Workbook exceptions have been remediated. For the Compliance Workbook exceptions, all 9 were reviewed in addition to the 3 awardees that did not respond or did not provide requested information. For the 12 awardees, 6 were remediated, 4 were affirmed, and 2 are in process with review steps being performed to access whether the exception has been remediated.

Next, Jake Lenell presented their review to verify the annual performance measurements for WEDC awards from 7-1-2017 to 12-31-2017. Sixty percent (24) of the awardees had no issue. Twenty-two percent (9) of the awardees had previously provided information to support the amounts reported or withdrew from the contract. The remaining seventeen percent (7) of the awardees provided documentation but had reporting exceptions. The 17.5% total that responded, but did not provide the requested information or provided information but reported exceptions, was a marked decrease from the last report which saw 31.2% reporting exceptions.

Hank Newell requested a motion to approve the CLA Audits. Motion was made by Randy Hopper with a second by John Peterson. The motion to approve recommendation of the CLA Audits was passed unanimously.



### **Review and Vote on WEDC Management Responses to the LAB Audit**

Brian Nowicki presented, and the Board discussed, the WEDC Management Responses to the LAB Audit. Brian Nowicki presented an overview of the WEDC management responses to the LAB Audit. There were two changes to the responses that Brian Nowicki discussed with the Board: recommendation #4 regarding Enterprise Zones & recommendation #9 regarding the Annual Report on Economic Development.

Hank Newell requested a motion to approve the WEDC Management Responses to the LAB Audit. Motion was made by Randy Hopper with a second by John Brogan. The motion to approve the responses was passed unanimously.

Becca Cooke and Joe Kirgues provided an update on the Entrepreneurship and Innovation Committee, their upcoming travels to meet with committee members across the state, and their upcoming meeting on November 4, 2019.

Jim Ladwig was not presented as Chair for the last meeting, the AAC memo document provided in the Board materials stood as the report.

### **CLOSED SESSION**

Hank Newell requested a motion to approve entering closed session. Motion was made by Thelma Sias with a second by John Peterson. The motion to enter closed session was passed unanimously.

*Members of the public excused themselves for closed session.*

*See separate minutes for closed session.*

### **RESUMPTION OF OPEN MEETING**

The meeting reconvened in open session at 3:20 pm.

### **ADJOURNMENT**

Hank Newell requested a motion to adjourn the meeting. Motion was made by Senator Dan Feyen with a second by John Brogan. The motion to adjourn the meeting was passed unanimously. The meeting adjourned at 3:20 PM.

## **AUDIT AND BUDGET COMMITTEE CHARTER**

### **Mission**

The purpose of the Audit and Budget Committee is to fulfill the authority and responsibilities delegated by the WEDC Board of Directors relating to WEDC's budget and operations, the integrity of the financial statements of the WEDC, the independent auditor's qualifications and independence, the performance of the WEDC's internal audit function and external auditors, and the overall compliance by the WEDC with legal and regulatory requirements.

### **Authority and Responsibilities**

#### *Approval Functions*

Evaluate and approve the WEDC's responses to audits and internal monitoring, except for the reports issued by Legislative Audit Bureau and WEDC's external financial statement auditors which are reviewed and approved by the Board.

Review and approve purchases amounting to \$100,000 or more according to WEDC's Procurement Policy.

Review and approve the WEDC compliance efforts, including the annual compliance plan and quarterly reports.

#### *Evaluative and Advisory Functions*

Review and advise the Board on WEDC's annual operations plan and budget, strategic planning, and other finance related matters.

Review and advise the Board on WEDC's responses to reports issued by Legislative Audit Bureau and WEDC's external financial statement auditors.

Monitor any significant arbitration, litigation or other legal process initiated against the WEDC.

#### *Whistleblower*

In accordance with the WEDC Code of Ethics and Conduct, employees may address concerns regarding illegal, dishonest, or fraudulent activity with the Chair of the Audit and Budget Committee.

#### *Inform the Board*

Inform the Board of actions taken by the Audit and Budget Committee and of issues arising from meetings.

### **Organization**

#### *Membership, Structure, Quorum*

According to WEDC's Bylaws, the Board or Chair of the Board may appoint or remove members of a committee (whether or not the committee member is a Director). The Audit and Budget Committee chair shall be elected by the other Audit and Budget Committee members or appointed by the Chair of the Board. A quorum of any meeting of the Audit and Budget Committee shall consist of a majority of its voting members. Audit and Budget Committee members may participate by teleconference. If a Audit and Budget Committee member is unable to attend a meeting, he or she may provide written notice designating an individual to participate in that meeting on his or her behalf. The designee may not vote on behalf of the Audit and Budget Committee member.

Effective Date:

*Staff Designee*

WEDC legal counsel and administrative support will be provided at the Audit and Budget Committee meetings.

*Agenda, Minutes, and Reports*

The Audit and Budget Committee chair, in collaboration with WEDC staff, shall be responsible for establishing the agendas for meetings. An agenda, together with the relevant materials, shall be sent to the Audit and Budget Committee in advance of the meeting. Minutes for all meetings shall be drafted by WEDC staff, reviewed by the Audit and Budget Committee chair, and approved by the Audit and Budget Committee at the following meeting. Audit and Budget Committee meetings are subject to the open meetings laws.

Effective Date:



# MEMO

**To:** Patrick Fuller, Assembly Chief Clerk  
Jeff Renk, Senate Chief Clerk  
**From:** Melissa Hughes, Secretary and CEO  
**CC:** WEDC Board of Directors  
**Date:**

**Re:** WEDC Calendar Year 2020 Economic Development project report

Pursuant to Wis. Statute §239.07(1), the following is the Wisconsin Economic Development Corporation's (WEDC) report approved for submittal by its Board of Directors on November 15, 2019, identifying the economic development projects WEDC intends to develop and implement during calendar year 2020 (CY20).

WEDC develops and implements its operations plan and budget on a fiscal year basis (July 1 to June 30), which is then presented to the Board of Directors for approval at the annual meeting in July. The Fiscal Year 2020 (FY20) Operations Plan and Budget was approved by the Board on July 13, 2019. A copy of the plan is available at [wedc.org/inside-wedc/transparency](http://wedc.org/inside-wedc/transparency) and encompasses the activities WEDC will undertake during the first six months of CY20. WEDC will also begin its annual planning process to determine which economic development programs and operations will be incorporated into the Fiscal Year 2021 (FY21) Operations Plan and Budget.

## FY20 Operations Plan and Budget Summary

WEDC annually fulfills its responsibility as Wisconsin's lead economic development organization by producing an operations plan and budget reflecting key strategies and planned investments designed to fulfill our mission: **To advance and maximize opportunities in Wisconsin for businesses, communities, and people to thrive in a globally competitive environment.**

WEDC's Operations Plan and Budget reflects the insights and objectives not only of WEDC's leadership and highly capable staff but also those of our hundreds of partners and stakeholders with whom we collaborate daily in our service to the people and businesses of Wisconsin. We fully understand successful economic development respects and honors wide-ranging perspectives - from local business representatives and industry executives to academic leaders and community members.

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Our FY20 plan carries forward our commitment to the many successful programs that continue to make a difference in our state's economic performance. During the first half of CY20, WEDC will continue to implement the following economic development strategies approved by the Board of Directors. Again, additional details are available in the full plan, available here: [wedc.org/inside-wedc/transparency](https://wedc.org/inside-wedc/transparency)

WEDC aligns its programs and services with key Catalysts of Economic Growth, which form the basis of our Strategic Pillars. Some highlights follow.

**Strategic Economic Competitiveness:** Fostering an environment of success for our industries and their supporting workforce. In FY20 we will:

- In collaboration with UW System, expand outreach for talent attraction and retention with a focus on internships, strategic business partnerships and outreach to alumni and veterans.
- Connect existing businesses through the Wisconsin Supplier Network to benefit from new business investments in the state through supply chain, vendor, workforce development, research, and technology opportunities.
- Develop a plan to expand the reach of the Fab Labs Grant program in both rural and urban areas of the state.

**Business Development:** Helping companies start up, grow and reach new markets. In FY20 we will:

- Launch state-wide digital entrepreneurship engagement platform.
- Identify target countries by driver industry cluster for exports and foreign direct investment.
- Continue to build alignment throughout Wisconsin for business and investment attraction opportunities so that Wisconsin can fully leverage its talented and capable network of partners as a competitive advantage.

**Community and Economic Opportunity:** Celebrating shared spaces and common ground. In FY20 we will:

- Expand the investment and outreach to the minority business community, women-owned and veteran-owned businesses throughout the state of Wisconsin.
- Increase awareness of the Disaster Recovery Microloan program launched in FY19.
- Focus WEDC programs to better serve the rural areas of the state.

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**Brand Development and Management:** Telling the Wisconsin story. In FY20 we will:

- Continue to promote Wisconsin as a career and lifestyle destination to the target audiences of Midwest millennials, Wisconsin alumni and transitioning veterans.
- Execute strategies to demonstrate Wisconsin's unique economic and industry advantages to national business decision-makers and influencers seeking relocation or growth opportunities.
- Support industry, partner, and economic development events through investment and involvement to connect with audiences looking to startup, grow or relocate operations in Wisconsin.

### **Fiscal Year 2021 Planning and Implementation**

WEDC establishes its Operations Plan and Budget based on a July 1 – June 30 fiscal year calendar, consistent with the timeline by which the Legislature allocates funds. Once the plan has been drafted, it is presented to the Board of Directors for approval.

The planning process for the operations plan is collaborative to allow for the input from staff, partners, WEDC Committee and Board members, and stakeholders, and aligns with WEDC's Catalysts of Economic Growth. Leadership expects to begin to craft the FY21 operating plan and budget during the third quarter of the current fiscal year. Outreach with stakeholders, feedback from staff, and evaluation of program activity and outcomes will be used to assess priorities for the new fiscal year. Executive leadership, divisional vice presidents and the policy and finance teams work closely to create a fiscally responsible and sustainable operating budget to allow WEDC to deliver innovative and effective economic development programs. The FY21 Operations Plan and Budget is expected to be presented for review to the Board's Budget and Audit Committee and then forwarded for approval by the full Board at WEDC's Annual Board of Directors meeting scheduled for July 2020.

As always, WEDC will continue its commitment to leveraging our statewide network of partners and resources to advance and maximize opportunities in Wisconsin for businesses, communities, and people to thrive in a globally competitive environment.

Please visit our website at [wedc.org](http://wedc.org) for up-to-date information on all WEDC's programs, initiatives and activities.

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**WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION**

**INCLUDING INDEPENDENT  
AUDITOR'S REPORT**

For the fiscal year ended June 30, 2019

A component unit of the State of Wisconsin

**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION  
Madison, Wisconsin  
(A component unit of the State of Wisconsin)

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Including Independent Auditors' Report  
For the Fiscal Year Ended  
June 30, 2019

Prepared by:

The Dedicated Staff of WEDC's Finance Division



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## TABLE OF CONTENTS

As of and For the Year Ended June 30, 2019

### INTRODUCTORY SECTION

	Page
Transmittal Letter	1 – 3
Certificate of Achievement	4
Organizational Chart	5
Directory of WEDC Officials	6

### FINANCIAL SECTION

Independent Auditors' Report	7 – 9
Management's Discussion and Analysis	10 – 18
Basic Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet to the Statement of Net Position	22
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	25 – 26
Index to Notes to Financial Statements	27
Notes to Financial Statements	28 – 56

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## TABLE OF CONTENTS

As of and For the Year Ended June 30, 2019

---

### REQUIRED SUPPLEMENTARY INFORMATION

	Page
Schedule of WEDC's Proportionate Share of the Net Pension Liability (Asset)	57
Schedule of WEDC Contributions to the WRS	57
Notes to Required Supplementary Information	57
Schedule of WEDC's Proportionate Share of the Total OPEB Liability	58
Schedule of WEDC Contributions to the State Retiree Health Insurance	58
Notes to Required Supplementary Information	58

### SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – By Object – General Fund	59
---	----

### STATISTICAL SECTION

Statistical Section Contents	60
Changes in Net Position	61
Net Position by Component	62
Changes in Fund Balances of Governmental Funds	63
Fund Balances of Governmental Funds	64
Collectible Loan Balances	65 - 66
Ten Largest Loans	67
Ratios of Outstanding Debt	68
Personal Income Statistics	69
Employment Statistics	70

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
**TABLE OF CONTENTS**  
As of and For the Year Ended June 30, 2019

---

Employees by Function/Program	71 – 72
Operating Indicators by Function	73 - 74
Schedule of Capital Assets	75



# INTRODUCTORY SECTION







October 28, 2019

To the Wisconsin Economic Development Corporation Board and the Citizens of the State of Wisconsin:

The Comprehensive Annual Financial Report of Wisconsin Economic Development Corporation (WEDC) as of and for the year ended June 30, 2019, is herein submitted.

Management assumes full responsibility for the completeness and reliability of the information presented in this report based on a comprehensive internal control framework that has been established for this purpose. As the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Sikich LLP has issued an unmodified (“clean”) opinion on Wisconsin Economic Development Corporation’s financial statements for the year ended June 30, 2019. The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to WEDC for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the 6<sup>th</sup> consecutive year that WEDC has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

201 W. Washington Avenue  
Madison, WI 53703

608.210.6700  
855-INWIBIZ  
InWisconsin.com

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## **ABOUT WEDC**

WEDC was created in 2011 Wisconsin Act 7 to serve as the State's lead economic development entity. WEDC works collaboratively with economic development partner organizations, educational institutions, and other local and state government entities to advance our shared mission of helping businesses and communities in Wisconsin take advantage of new opportunities for growth and job creation through innovative, market-driven programs. Program results for each fiscal year can be found in WEDC's Annual Report on Economic Development (ARED Report). WEDC encourages economic growth by focusing on:

- Business and Community Development – With a goal to increase and deploy capital to drive business expansion and relocation.
- Business and Investment Attraction – With a goal to increase awareness of Wisconsin as a destination for businesses to expand or relocate by promoting the state.
- Entrepreneurship and Innovation – With a goal to increase startups in Wisconsin.
- International Business Development – With a goal to grow Wisconsin's exports.
- Sector Strategy Development – With a goal to advance high impact economic development projects that produce a competitive advantage for Wisconsin.

## **LONG RANGE PLANNING AND FINANCIAL POLICIES**

Wisconsin's strong economic performance and record-low unemployment (3.0% vs. the national average of 3.9%) is a mixed blessing, providing excellent career opportunities to people entering the workforce or seeking to advance in their profession while also creating challenges for employers who struggle to fill positions requiring specialized skills.

WEDC leverages our connections with our state government agency partners to coordinate services to ensure the appropriate resources are made available to the businesses, educational institutions, industry groups and local economic development representatives, all of whom are working together to maintain Wisconsin's workforce leadership. From continuing to provide funding for the Inspire online portal connecting students with local employers to investing in Fab Labs to equip students with the skills sought by Wisconsin companies, WEDC is educating, encouraging and channeling Wisconsin's talented workforce toward rewarding careers in industries that drive our economy.

Demographic trends demand that we not only retain our state's young workers, but also that we attract people from outside Wisconsin to join us in writing the next chapter for our state. To this end, WEDC's FY20 budget and operations plan continues to invest in our successful marketing campaign designed to attract millennials from other states as well as graduates of Wisconsin colleges and universities and transitioning veterans through powerful messaging promoting the career and lifestyle advantages Wisconsin offers.

Our long-range plan is to make continuing investments, and implement collaborative strategies, to encourage and support entrepreneurship, to help Wisconsin companies tap global markets, to extend Wisconsin's industry leadership, and to maintain Wisconsin's exceptional quality of life.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Budget and Finance Department. We wish to also thank all departments for their assistance in providing the data necessary to prepare this report. Credit also is due to our Board of Directors, the Audit Committee members of WEDC, and the Budget and Finance Committee members of WEDC for their support for maintaining the highest standards of professionalism in the management of Wisconsin Economic Development Corporation's finances.

Respectfully submitted,



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Brian Nowicki, CPA, CFA  
Chief Financial Officer



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Natalya Krutova  
Controller



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Wisconsin Economic Development  
Corporation**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

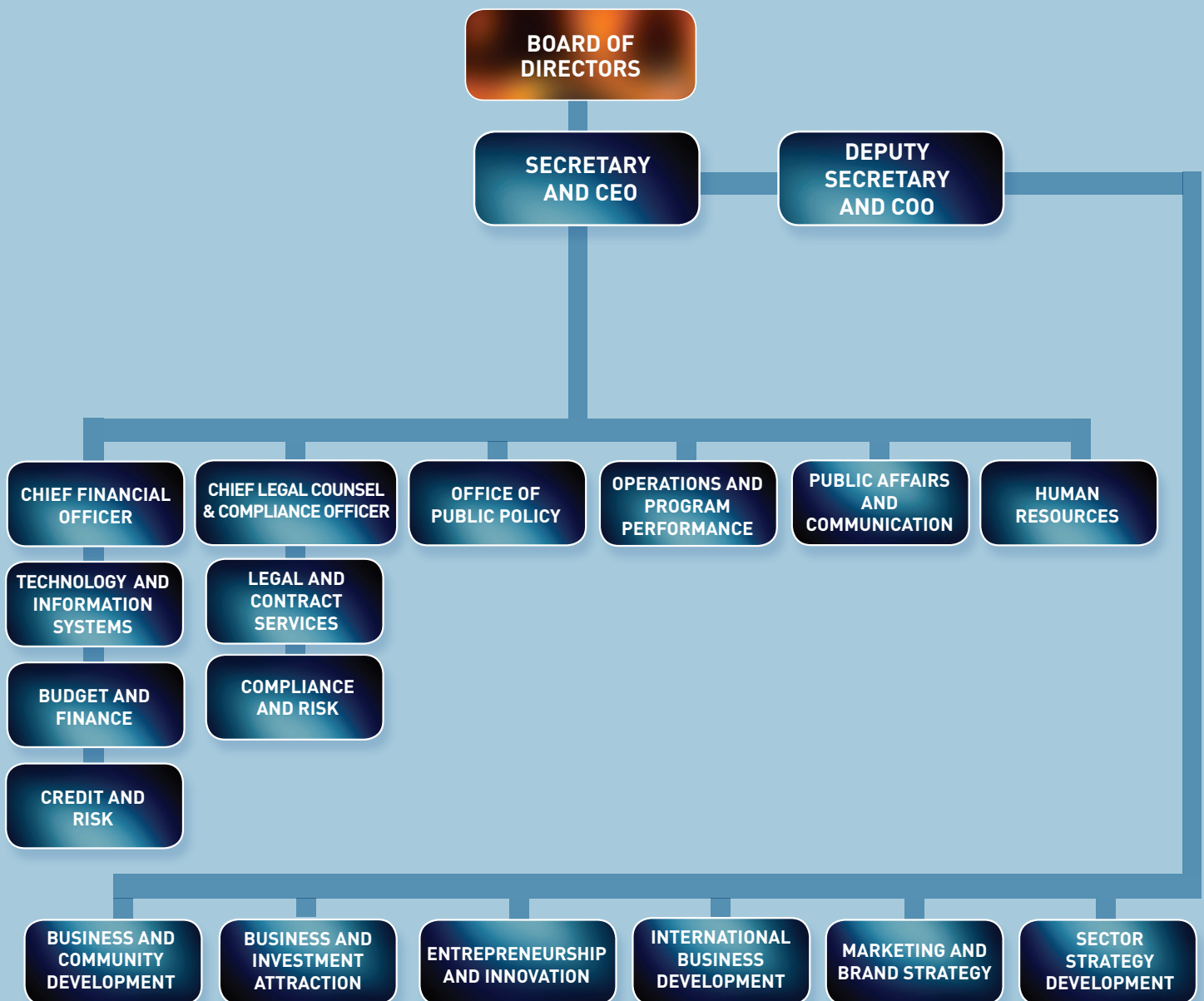
Executive Director/CEO





WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION

# ORGANIZATIONAL CHART



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## DIRECTORY OF OFFICIALS

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### **BOARD OF DIRECTORS**

Henry C. Newell	Chair
Lisa Mauer	Vice Chair
Rebecca Cooke	Secretary
John Oathout	Treasurer
John Brogan	Board Member
Sen. Tim Carpenter	Board Member
Sen. Daniel Feyen	Board Member
Rep. Gordon Hintz	Board Member
Randy Hopper	Board Member
Rep. Rob Hutton	Board Member
Joe Kirgues	Board Member
Mike Kunesh	Board Member
Jim Ladwig	Board Member
John Peterson	Board Member
Eugenia Podesta	Board Member
Thelma Sias	Board Member
Peter Barca	Ex-Officio – Department of Revenue
Joel Brennan	Ex-Officio – Department of Administration

### **ADMINISTRATORS**

Melissa Hughes	Chief Executive Officer/ Secretary
Tricia R. Braun	Chief Operation Officer & Deputy Secretary
Jennifer Jin	Chief Legal Counsel
Brian Nowicki	Chief Financial Officer
Aaron Hagar	Vice President of Entrepreneurship & Innovation and Sector Strategy Development
Anne Jesko	Vice President of Human Resources
Mary Gage	Vice President of Business & Community Development
Joshua Robbins	Vice President of Technology & Information Systems
Katy Sinnott	Vice President of International Business Development
Kelly Lietz	Vice President of Marketing & Brand Strategy
Vincent Rice	Senior Director - Sector Strategy Development
Amy Young	Senior Director - Office of Public Policy
Shelly Braun	Senior Financial Underwriting Director - Credit and Risk
Rick Cushman	Senior Financial Servicing Director - Credit and Risk
Natalya Krutova	Controller



# FINANCIAL SECTION





## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Wisconsin Economic Development Corporation  
Madison, Wisconsin

We have audited the accompanying financial statements of the governmental activities and major fund of the Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements as listed in the accompanying table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WEDC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WEDC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the basic financial statements referred above present fairly, in all material respects, the financial position of Wisconsin Economic Development Corporation as of June 30, 2019, and the changes in financial position and the respective budgetary comparison statement for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WEDC's basic financial statements. The introductory, statistical sections, and budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in fund balance - budget and actual - by object is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, WEDC's basic financial statements for the year ended June 30, 2018, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities and major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WEDC's basic financial statements as a whole. The June 30, 2018 summarized information in the schedule of revenues, expenditures, and changes in fund balance - budget and actual - by object is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting information and other records used to prepare the 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2018 summarized information in the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of WEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEDC's internal control over financial reporting and compliance.

*Sikich LLP*

Brookfield, Wisconsin  
October 28, 2019



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**As of and For the Year Ended June 30, 2019**

**(Unaudited)**

Wisconsin Economic Development Corporation's management offers this narrative overview and analysis of WEDC's financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found preceding the independent auditor's report.

### **FINANCIAL HIGHLIGHTS**

The more significant activity that impacted WEDC's government-wide financial picture during 2019 were:

- Unrestricted Net Position decreased by \$27.5 million
- Total Assets decreased by \$3.8 million
- Total Liabilities increased by \$30.7 million

The overall financial position of WEDC has remained strong, and relatively unchanged from fiscal year 2018, with the exception of the following activities:

1) The State of Wisconsin has requested a payment/return of excess unrestricted fund balance, in the amount of \$25.0 million, to be paid by January 1, 2020.

2) WEDC's loan receivable balance has declined by approximately \$4.0 million, as we continue to shift our program funding to provide a higher percentage allocation for our community development grant programs.

As a result, WEDC's unrestricted fund balance and assets have decreased, and liabilities have increased, from fiscal year 2018.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to WEDC's basic financial statements. WEDC's basic financial statements are comprised of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of WEDC's finances, in a manner similar to a private-sector business. They are presented in two statements, the Statement of Net Position and the Statement of Activities (pages 20-21).

### GOVERNMENT-WIDE - STATEMENT OF NET POSITION

The following table summarizes WEDC's Statements of Net Position from 2018 and 2019.

	Governmental activities			
	2018	2019	Change	% Chg
Current and other assets	\$ 129,199	\$ 125,451	\$ (3,748)	-2.90%
Capital assets	1,015	917	(98)	-9.66%
Total assets	130,214	126,368	(3,846)	-2.95%
Deferred outflows of resources	2,512	4,694	2,182	86.85%
Long-term debt	2,538	2,795	257	10.13%
Other liabilities	6,153	36,608	30,455	494.96%
Total liabilities	8,691	39,403	30,712	353.37%
Deferred inflows of resources	3,223	2,922	(301)	-9.33%
Net investment in capital assets	1,015	917	(98)	-9.66%
Restricted	52,929	48,449	(4,480)	-8.46%
Unrestricted	66,868	39,372	(27,496)	-41.12%
Total net position	\$ 120,812	\$ 88,737	\$ (32,075)	-26.55%

Current and other assets primarily represent cash, investments, receivables, prepaid items, and loans receivable. Total current and other assets decreased by \$3.7 million, due mainly to a decrease in accounts receivable of \$16.7 million and net loans receivable of \$4.0 million, which is partially offset by an increase in cash and cash equivalents of \$17.9 million.

\$16.5 million of the \$16.7 million decrease in accounts receivable is due to the receipt of funds in the State Economic Development Fund, accrued for in fiscal year 2018 and received in fiscal year 2019. Conversely, \$16.5 million of the \$17.9 million increase in cash and cash equivalents is due to the same receipt of funds in fiscal year 2019.

Loans receivable decreased by \$4.0 million. During the fiscal year, WEDC disbursed approximately \$3.5 million in new loan awards, received \$7.1 million in loan repayments, forgave \$0.8 million in principal balance for loans that met contracted criteria for forgiveness, wrote off \$5.1 million in principal balance, and reduced allowances for loan loss by \$4.8 million.

Capital assets and long-term debt are described in more detail in those sections of this report, see pages 41-42.

Deferred outflows of resources have increased by \$2.2 million and deferred inflows of resources have decreased by \$0.3 million and are a direct result of our annual pension and OPEB accruals. In addition, WEDC is reporting a net pension liability of \$1.8 million and a total OPEB liability of \$0.7 million as of



June 30, 2019. For additional information on the pension plan, see pages 45-50. For additional information on the OPEB, see pages 50-54.

Other liabilities have increased by \$30.5 million and include accounts payable, accrued payroll, payroll liabilities, OPEB liability, and accruals for awards not yet disbursed. The majority of the increase is due to a special \$25.0 million funds transfer to the State of Wisconsin in fiscal year 2020.

A portion of WEDC's net position represents the net investment in its capital assets, based on historical cost. Capital assets are used to provide services; consequently, these assets are not available for future spending. Capital assets are described in more detail on pages 41-42 of this report.

A portion of WEDC's net position represents resources that are subject to external restrictions on how they may be used. The restricted net position primarily consists of contractual obligations that WEDC has made related to its economic development programs and awards.

The remaining portion of WEDC's net position represents resources that are unrestricted. The unrestricted net position is comprised primarily of commitments made to its economic development programs and awards, its long-term receivables which consists mainly of loans, and funds otherwise unassigned.

WEDC provides grants and loans to businesses, nonprofits, and communities to encourage economic growth. A commitment represents an award that has been fully approved through WEDC's award process, but the awarded contract has not yet been executed (signed) by the awardee and WEDC.

Unrestricted net position decreased \$27.5 million from the previous year due primarily to a special \$25.0 million funds transfer to the State of Wisconsin.

#### **GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES**

The Statement of Activities presents information showing how WEDC's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The table below summarizes the Statements of Activities for 2018 and 2019.

	Governmental activities			
	2018	2019	Change	% Chg
<b>REVENUE</b>				
Program revenues				
Charges for services	\$ 150	\$ 178	\$ 28	18.7%
Operating grants & contributions	2,644	3,041	397	15.0%
General revenues				
Intergovernmental revenues not restricted to specific programs	57,682	40,551	(17,131)	-29.7%
Interest income	1,741	3,827	2,086	119.8%
Miscellaneous	798	543	(255)	-32.0%
Total Revenues	63,015	48,140	(14,875)	-23.6%
<b>EXPENSES</b>				
General administration	8,235	10,060	1,825	22.2%
Marketing & brand strategy	5,113	8,874	3,761	73.6%
Economic development	31,282	36,171	4,889	15.6%
Interest and fiscal charges	93	110	17	18.3%
Total Expenses	44,723	55,215	10,492	19.0%
Special items	-	25,000	25,000	100.0%
<b>Total Change in Net Position</b>	18,292	(32,075)	(50,367)	-275.3%
NET POSITION - BEGINNING OF YEAR	102,520	120,812		
<b>NET POSITION - END OF YEAR</b>	<u>\$ 120,812</u>	<u>\$ 88,737</u>		

Program revenues are those revenues that can be directly related to a particular activity, whereas general revenues represent revenues that are not directly related to one specific function.

Charges for services increased by \$28,000 due primarily to increases in loan origination fees.

Operating grants and contributions increased by \$397,000 as a result of \$708,000 in final payments for the federal grant for the Department of Defense, which was partially offset by a decrease of \$311,000 in other federal grant program funds, including the Small Business Administration's State Trade and Export Promotion (STEP) grant program.

Intergovernmental revenues not restricted to specific programs decreased \$17.1 million as WEDC received a one-time payment of \$16.5 million from the State Economic Development Fund that was in addition to the State's initial biennial budget for the fiscal year 2017-18.

Interest income increased by \$2.1 million, as investment income increased by \$2.5 million and was partially offset by a decrease in loan interest income of \$0.5 million.

Miscellaneous revenues decreased \$0.3 million, representing other revenues, including penalty fees and deferred revenues.

General administration expenditures increased \$1.8 million due primarily to increases in payroll and benefits of \$0.7 million, pension expenditures of \$0.7 million, economic modeling and tools of \$0.1 million, biennial audit service of \$0.1 million, and leasehold improvements and rent of \$0.1 million.

Marketing and communication expenditures increased \$3.8 million as we continued advertising efforts for the talent attraction and retention initiative.

Economic development expenditures increased \$4.9 million which include WEDC's direct award program of \$8.3 million and key strategic partnership expenditures of \$0.3 million. These increases were partially offset by a decrease in new loan loss reserves of \$2.8 million, payroll and benefits of \$0.2 million, federal grant pass-through activity of \$0.4 million, and travel of \$0.2 million.

Interest and fiscal charges increased by \$17,000 as the State's calculation of WEDC's percentage allocation of the pension obligation has higher than in the fiscal year 2018.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WEDC only has one fund, the General Fund. The General Fund is a governmental fund type. The fund financial statements can be found on pages 22 and 24 of this report.

Since WEDC only reports one fund, the results of operations for the General Fund are similar to the government-wide financial statements. The primary difference being that the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. In practical terms, this means that capital assets, which represent assets to be used in future periods, and debt, which is expected to be paid in future periods, are not included in the fund financial statements. The details of these adjustments are found within the Reconciliation of the Balance Sheet to the Statement of Net Position and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, see pages 23 and 25.

Although similar to the government-wide financial statements, the fund financial statements can be useful in evaluating a government's near-term financing requirements and provide a more detailed breakdown of WEDC's net position composition.

## **GENERAL FUND – FUND BALANCE**

At year-end, WEDC's total fund balance was \$90.2 million. Total fund balance decreased in fiscal year 2019 mainly due to a special \$25.0 million funds transfer to the State of Wisconsin. WEDC's general fund balance is categorized into four components:

1. Non-spendable,
2. Restricted,
3. Assigned, and
4. Unassigned.

These categories give the reader some idea about how available the funds are for spending.

The non-spendable fund balance for fiscal year 2019 was \$26.6 million, compared to \$31.2 million in fiscal year 2018, and primarily represents loans receivable from awardees. Although these loans represent assets to WEDC, the payments on them are not due in the near term and therefore are not available for spending. The \$4.6 million decrease is due primarily to a reduction in our loan receivable balance as loan repayments exceeded loan originations for the year.

The restricted fund balance for fiscal year 2019 was \$48.4 million, compared to \$52.9 million in fiscal year 2018. The restricted fund balance of the general fund and the restricted net position of the government-wide statement of fund balance are very similar, both representing revenues that can only be used for certain purposes, primarily on economic development programs. The \$4.5 million decrease is due primarily to a State legislative appropriation for talent attraction retention and development initiatives that was expended in fiscal year 2019.

The assigned fund balance for fiscal year 2019 was \$7.8 million, compared to \$3.4 million in fiscal year 2018, and primarily represents funds for the talent attraction and retention initiative, open economic development award commitments, as well as long-term commitments.

The unassigned fund balance for fiscal year 2019 was \$7.3 million, compared to \$33.9 million in fiscal year 2018, and represents the residual classification for the General Fund. Amounts over the established target of one-sixth of WEDC's annual administrative costs will be used to help fund future operating budgets or to increase program spending in the current fiscal year. The \$26.6 million decreased is due primarily to a special \$25.0 million funds transfer to the State of Wisconsin funds that will be transferred by January 1, 2020.

### GENERAL FUND - BUDGETARY HIGHLIGHTS

WEDC adopts an annual budget for its General Fund. A budgetary comparison schedule can be found on pages 26-27 of this report. There were three budget amendments completed during the year. A general summary of actual to budget variances follow:

	General Fund				
	Original Budget 2019	Final Budget 2019	Actual 2019	Variance with Final Budget	% Chg
<b>REVENUE</b>					
Intergovernmental revenues	\$ 43,983	\$ 43,777	\$ 43,592	\$ (185)	-0.4%
Charges for services	210	196	178	(18)	-9.2%
Interest income	2,555	3,481	3,827	346	9.9%
Miscellaneous	351	384	232	(152)	-39.6%
Total Revenues	47,099	47,838	47,829	(9)	0.0%
<b>EXPENDITURES</b>					
Program grants	25,372	27,957	23,869	(4,088)	-14.6%
Loan loss reserve	1,000	1,000	459	(541)	-54.1%
Key strategic partners	4,658	4,658	4,609	(49)	-1.0%
Marketing & brand strategy	8,283	8,442	7,802	(640)	-7.6%
Payroll and benefits	11,828	11,254	11,293	39	0.4%
Operations and general	7,143	6,646	5,682	(964)	-14.5%
Capital	80	84	255	171	203.6%
Debt service	210	150	174	24	16.0%
Total Expenditures	58,574	60,190	54,143	(6,047)	-10.0%
Special items	-	-	25,000	25,000	100.0%
<b>Net Change in Fund Balance</b>	<u>\$(11,475)</u>	<u>\$ (12,352)</u>	(31,314)	<u>\$ (18,962)</u>	
NET POSITION - BEGINNING OF YEAR			<u>121,511</u>		
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 90,197</u>		

Revenues – unfavorable variance of \$9,000, or 0.02%:

- (\$9,000) unfavorable variance due primarily to timing differences of when grant funds are requested for our federal grant programs. WEDC will be able to draw on these federal grant funds in the fiscal year 2020. In addition, investment interest income is higher than expected, as short-term interest rates rose for most of fiscal year 2019.

Expenditures – favorable variance of \$6.0 million, or 10.0%:

- \$4.1 million favorable variance in program grants as actual cash disbursements from current and prior year program awards were less than their program budgets (which, in addition to current year cash disbursements, also include current year commitments and contract activity). To the extent that committed and contracted activity are not recognized as an expenditure in the current fiscal year, the funds are restricted on the balance sheet.
- \$0.5 million favorable variance related to the recognition of loan loss reserves, due primarily to a declining loan portfolio balance and our ongoing efforts to monitor and evaluate loan repayment risk over time.
- \$0.6 million favorable variance in marketing and brand strategy as funds allocated for our talent attraction and retention initiative project in fiscal year 2019 were not expended, but instead reallocated to talent attraction and retention initiatives for fiscal year 2020.
- \$40,000 unfavorable variance related to payroll and benefits, due primarily to lower than budgeted position vacancy rates experienced during the fiscal year. Compared to the original budget, the variance was favorable by \$0.5 million.
- \$1.0 million favorable variance related to general operational expenditures, due primarily to savings in professional fees, travel, software services, events and conferences, and supplies and equipment.
- \$0.2 million unfavorable variance in capital for website development and marketing booth expenditures that were reclassified as capital expenditures.
- \$24,000 unfavorable variance in debt service as the State's calculation of WEDC's percentage allocation of the State's pension obligation increased slightly.

Special Items - WEDC has been asked to make a \$25.0 million payment to the State of Wisconsin by January 1, 2020.

Changes in Fund Balance – Compared to fiscal year 2018, the fund balance decreased by \$31.3 million. The largest driver for this negative variance is the \$25.0 million special item. In addition, expenditures exceeded revenues for the fiscal year 2019 by \$6.3 million, which is \$6.0 million less than budgeted.

The Fiscal Year 2019 Program Activity - For the fiscal year 2019, we continue to see solid demand for our programs, and at year-end, we have disbursed, committed, or contracted for \$29.7 million in grants and loans. Compared to our budgeted goal of \$33.1 million, this represents a 90% placement rate for the fiscal year 2019 funds.

Changes from Original Budget to Final Budget - When compared to WEDC's original budget, the final budget included an increase in total revenue of \$0.7 million (from \$47.1 million to \$47.8 million) and an increase in total expenditures of \$1.6 million (from \$58.6 million to \$60.2 million). Budgeted revenue increased primarily due to investment income. Budgeted expenditures increased primarily due to \$2.6 million in additional program grant funding that was approved, and which was partially offset by a \$0.5 million decrease related to pass-through expenditures on our federal grants that ended on December 31, 2018, and a \$0.5 million decrease in payroll and benefits.

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 28-57 of this report. The information provided below on capital assets and long-term debt can also be found within the footnotes to the financial statements. The notes to the required supplementary information can be found on pages 58-60.

### CAPITAL ASSETS

WEDC's capital asset activity for 2018 and 2019 is summarized below.

Description	Governmental Activities	
	2018	2019
Software	\$ 1,738,776	\$ 1,618,890
Furniture and fixtures	-	69,728
Leasehold improvements	409,244	476,625
Vehicles	148,793	161,411
Total Capital Assets	2,296,813	2,326,654
Less accumulated depreciation	(1,281,675)	(1,409,701)
Capital assets, net of depreciation	\$ 1,015,138	\$ 916,953

Capital assets increased slightly from the previous year due to new capital asset purchases. The new marketing booth was added as well as additional fleet vehicle.

Additional information on WEDC's capital assets can be found in Note III C on page 41-42.

### LONG-TERM DEBT

WEDC does not have a debt limit. The only significant change in WEDC's long-term obligations was related to our note payable to the State. This note is recalculated annually based on WEDC's retirement contributions as compared to the retirement contributions of all State agencies. This percentage is then applied to the total outstanding bonds that were issued for the payment of the prior service pension cost liability. The change in WEDC's share of these obligations is reported as an addition or deletion to the outstanding balance annually. For the fiscal year 2019, this resulted in a change of \$324,341. Other changes in long-term debt related to scheduled payments.

	Governmental Activities	
	2018	2019
Compensated absences	656,966	679,602
Notes payable - State of Wisconsin	1,945,360	2,269,701
Total	\$2,602,326	\$2,949,303

Additional information on WEDC's long-term debt can be found in Note III D on pages 42-43.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

WEDC annually reviews all grant and loan programs to find more ways to encourage business growth within the State of Wisconsin. Some of the more significant changes that are included in the fiscal year 2020 operations plan and budget are:

- Disaster Recovery Microloan program will be initially unfunded for fiscal year 2020. Funding for this program will be based on future disaster events. For FY19, \$2.0 million was allocated from our unassigned fund balance to address state-wide flooding events as part of the amended budget process.
- Workforce Training Grant program will be receiving \$0.3 million in additional program funding in FY20 to help companies improve the skills of their workforce.
- Site Assessment Grant program will continue to receive \$0.5 million in additional program funding, above the \$1 million Biennial State Budget set aside, to address anticipated demand in FY20.
- Idle Sites Redevelopment grant program will be receiving \$0.2 million in additional program funding to adjust to the expected demand for the program in FY20.
- Community Development Investment grant program will be receiving \$1.0 million less in program funding to adjust to the expected demand for the program in FY20.
- Fabrication Laboratories grant program will receive \$0.2 million in additional program funding to address anticipated demand in FY20.
- Capacity Building grant program will be receiving \$0.5 million in additional program funding for regional economic development assessments and talent initiatives.
- Business Development Loan program will be receiving a \$0.3 million increase for FY20.
- Technology Development Loan) program will be receiving a \$0.5 million increase for FY20.

In addition, WEDC is budgeting approximately \$4.0 million to continue its talent attraction and retention initiatives, initially funded by a \$6.8 million State appropriation in FY18. In addition to using the remaining restricted fund balance from the State appropriation, WEDC will be using its unassigned fund balance and general operations budget to continue to fund these initiatives for FY20.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of WEDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 201 West Washington Ave, Madison, WI 53703.

General information relating to WEDC, Wisconsin, can be found at WEDC's website, <http://inwisconsin.com/>.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF NET POSITION**

As of June 30, 2019

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 44,209,250
Investments	52,442,828
Accounts receivable	1,320,143
Accrued interest on investments	193,859
Prepaid items	236,799
Loans receivable (net of allowances of \$18,998,933)	26,404,865
Interest on loans receivable (net of allowances of \$1,089,296)	643,466
Capital assets	
Other capital assets, net of depreciation	916,953
Total Assets	<u>126,368,163</u>
Deferred outflows of resources	
Deferred outflow of resources - pension	4,621,985
Deferred outflow of resources - OPEB	71,665
Total deferred outflows of resources	<u>4,693,650</u>
<b>LIABILITIES</b>	
Accounts payable	4,150,960
Accounts payable - due to State of Wisconsin	25,000,000
Accrued liabilities	4,793,962
Noncurrent liabilities	
Due within one year	154,135
Due in more than one year	2,795,168
Net pension liability	1,810,922
OPEB liability	697,142
Total Liabilities	<u>39,402,289</u>
Deferred inflows of resources	
Deferred inflow of resources - pension	2,541,201
Deferred inflow of resources - OPEB	381,241
Total deferred inflows of resources	<u>2,922,442</u>
<b>NET POSITION</b>	
Net investment in capital assets	916,953
Restricted for:	
Economic development	43,969,513
Brownfield site assessments	2,227,901
SSBCI	1,559,337
WI talent attraction and retention initiative	691,822
Unrestricted	<u>39,371,556</u>
<b>TOTAL NET POSITION</b>	<u>\$ 88,737,082</u>

See accompanying notes to financial statements



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF ACTIVITIES**

As of June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities				
General administration	\$ 10,059,902	\$ 178,429	\$ 59,747	\$ (9,821,726)
Marketing & brand strategy	8,874,239	-	-	(8,874,239)
Economic development	36,170,819	-	2,981,277	(33,189,542)
Interest and fiscal charges	110,119	-	-	(110,119)
Total Governmental Activities	<u>\$ 55,215,079</u>	<u>\$ 178,429</u>	<u>\$ 3,041,024</u>	<u>(51,995,626)</u>
General Revenues				
Intergovernmental revenues not restricted to specific programs				
State general purpose revenues				13,305,305
Segregated funds				27,245,395
Interest income				3,826,919
Miscellaneous				542,809
Total General Revenues				<u>44,920,428</u>
Special items				<u>(25,000,000)</u>
<b>Change in Net Position</b>				<b>(32,075,198)</b>
NET POSITION - BEGINNING OF YEAR				<u>120,812,280</u>
<b>NET POSITION - END OF YEAR</b>				<b><u>\$ 88,737,082</u></b>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2019

	General
<b>ASSETS</b>	
Cash and cash equivalents	\$ 44,209,250
Investments	52,442,828
Accounts receivable	1,320,143
Accrued interest on investments	193,859
Prepaid items	236,799
Loans receivable (net of allowances of \$18,998,933)	26,404,865
Interest on loans receivable (net of allowances of \$1,089,296)	643,466
<b>TOTAL ASSETS</b>	<b>\$ 125,451,210</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,150,960
Accounts payable - due to State of Wisconsin	25,000,000
Accrued awards	4,516,416
Accrued wages	208,047
Payroll related liabilities	69,499
Total Liabilities	33,944,922
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	1,309,232
Total Deferred Inflows of Resources	1,309,232
<b>FUND BALANCES</b>	
Nonspendable - prepaids	236,799
Nonspendable - long-term receivables	26,404,865
Restricted for	
Economic development	43,969,513
Brownfield site assessment	2,227,901
SSBCI	1,559,337
WI talent attraction and retention initiative	691,822
Assigned for	
Loan guarantees	330,000
Compensated absences	679,602
Note payable to State of Wisconsin	2,269,701
Open commitments	500,000
Talent attraction and retention initiative	4,000,000
Unassigned	7,327,516
Total Fund Balances	90,197,056
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 125,451,210</b>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
As of June 30, 2019

Fund balances - total governmental funds		\$	90,197,056
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds			
Software	\$	1,618,890	
Furniture and fixtures		69,728	
Leasehold improvements		476,625	
Vehicles		161,411	
Less: accumulated depreciation		(1,409,701)	
Total adjustment for capital assets			916,953
Deferred outflows related to pensions are not current financial resources and, therefore, are not reported in the government funds			
Pension differences between projected and actual experiences		1,394,475	
Net pension difference between projected and actual investment earnings on pension plan investment		2,644,729	
Pension contributions after measurement date		277,526	
Pension changes of actuarial assumptions		305,255	
Total adjustment for pension deferred outflows			4,621,985
Deferred outflows related to OPEB are not current financial resources and, therefore, are not reported in the government funds			
OPEB change in proportion		17,847	
OPEB changes of assumptions		983	
OPEB subsequent contributions after measurement date		52,835	
Total adjustment for OPEB deferred outflows			71,665
Deferred inflows related to pensions are not current finance resources and, therefore, are not reported in the government funds			
Pension changes in proportion and differences between employer contributions and proportionate share of contributions		(48,060)	
Pension differences between projected and actual experiences		(2,493,141)	
Total adjustment for pension deferred inflows			(2,541,201)
Deferred inflows related to OPEB are not current finance resources and, therefore, are not reported in the government funds			
OPEB changes of assumptions		(376,810)	
OPEB changes in proportion		(144)	
OPEB differences between expected and actual experience		(4,287)	
Total adjustment for OPEB deferred inflows			(381,241)
Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements			1,309,232
Net pension liability are not current financial resources and, therefore, are not reported in the government funds			(1,810,922)
Total OPEB liability are not current financial resources and, therefore, are not reported in the government funds			(697,142)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds			
The details of this adjustment are as follows			
Net adjustment for compensated absences		(679,602)	
Notes payable to State		(2,269,701)	
Total adjustment for long-term obligations			(2,949,303)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$</b>	<b>88,737,082</b>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
As of June 30, 2019**

	General
<b>REVENUES</b>	
Intergovernmental	\$ 43,591,724
Charges for services	178,429
Interest income	3,826,919
Other revenues	231,981
Total Revenues	<u>47,829,053</u>
<b>EXPENDITURES</b>	
Current	
General administration	9,038,736
Marketing & brand strategy	8,670,380
Economic development	36,005,035
Capital outlay	255,355
Debt Service	
Principal retirement	63,829
Interest and fiscal charges	110,119
Total Expenditures	<u>54,143,454</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>(6,314,401)</u>
Special items	<u>(25,000,000)</u>
<b>Net Change in Fund Balance</b>	<u>(31,314,401)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>121,511,457</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 90,197,056</u>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

As of June 30, 2019

---

Net change in fund balances - total governmental funds	\$ (31,314,401)
Amounts reported for governmental activities in the statement of activities are different because:	
Net pension liabilities and related deferred inflows/outflows are not current financial resources and, therefore, are not reported in the governmental funds	(558,450)
Total OPEB liabilities and related deferred inflows/outflows are not current financial resources and, therefore, are not reported in the governmental funds	(22,002)
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	263,755
Depreciation is reported in the government-wide statements	(361,940)
Gain on disposal capital assets	
Receivables not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide statements	310,828
Prior year deferred revenue reversed in current year	
Repayments of debt is an expenditure in the governmental funds, but the reduces debt in the statement of net position.	
Notes payable annual recalculation adjustment	(388,170)
Principal repaid	63,829
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	<u>(68,647)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (32,075,198)</u></u>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND**

As of June 30, 2019

(continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental				
Federal - STEP Grant	711,612	\$ 300,000	\$ 224,893	\$ (75,107)
Federal - DOD Grant	1,585,000	1,756,384	1,756,384	-
Federal - USDA Grant	-	33,639	33,639	-
State general purpose revenue (GPR)	16,392,500	16,392,500	13,305,305	(3,087,195)
State economic development fund (SEG)	24,268,200	24,268,200	27,245,395	2,977,195
State brownfield site assessment	1,000,000	1,000,000	1,000,000	-
Other intergovernmental revenues	25,800	25,800	26,108	308
Total Intergovernmental	43,983,112	43,776,523	43,591,724	(184,799)
Charges for Services				
Bond servicing fees	60,000	60,000	28,012	(31,988)
Tax transfer fees	50,000	56,000	73,007	17,007
Loan origination fees	100,000	80,000	77,410	(2,590)
Total Charges for Services	210,000	196,000	178,429	(17,571)
Interest Income				
Interest on loans	1,650,000	1,650,000	1,391,008	(258,992)
Interest on investments	905,000	1,831,000	2,435,911	604,911
Total Interest Income	2,555,000	3,481,000	3,826,919	345,919
Other Revenues				
Sponsorship contributions	70,000	70,000	61,500	(8,500)
Miscellaneous revenue	280,726	313,991	170,481	(143,510)
Total Other Revenues	350,726	383,991	231,981	(152,010)
<b>TOTAL REVENUES</b>	47,098,838	47,837,514	47,829,053	(8,461)
<b>EXPENDITURES</b>				
General Administration				
Legal services & compliance	1,111,566	1,117,587	1,079,862	37,725
Executive office	1,198,163	1,143,755	1,174,063	(30,308)
Operations & program performance	456,814	425,629	430,937	(5,308)
Human resources	1,564,634	1,536,514	1,514,247	22,267
Finance	744,913	779,787	802,129	(22,342)
Technology & information systems	2,245,479	2,300,596	2,038,627	261,969
Credit and risk	1,195,669	1,165,765	1,216,277	(50,512)
Office of public policy	901,945	912,059	893,382	18,677
Total General Administration	9,419,183	9,381,692	9,149,524	232,168
Marketing & brand strategy	9,136,287	9,298,169	8,814,947	483,222

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND  
As of June 30, 2019

(concluded)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Economic Development				
Entrepreneurship and innovation	7,168,890	\$ 7,582,359	\$ 6,326,208	\$ 1,256,151
Business and community development	21,736,581	23,069,697	21,649,387	1,420,310
Business & investment attraction	837,544	764,636	553,994	210,642
Sector strategy development	6,505,141	6,515,157	4,642,848	1,872,309
International business development	3,560,123	3,428,020	2,832,598	595,422
Total Economic Development	39,808,279	41,359,869	36,005,035	5,354,834
Debt Service				
Principal retirement	80,000	55,000	63,829	(8,829)
Interest and fiscal charges	130,000	95,000	110,119	(15,119)
Total Debt Service	210,000	150,000	173,948	(23,948)
 TOTAL EXPENDITURES	 58,573,749	 60,189,730	 54,143,454	 6,046,276
 Special items	 -	 -	 25,000,000	 (25,000,000)
 <b>Net Change in Fund Balance</b>	 <b>\$ (11,474,911)</b>	 <b>\$ (12,352,216)</b>	 <b>(31,314,401)</b>	 <b>\$ (18,962,185)</b>
 FUND BALANCES - BEGINNING OF YEAR			 121,511,457	
 <b>FUND BALANCES - END OF YEAR</b>			 <b>\$ 90,197,056</b>	

See accompanying notes to financial statements

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

NOTE	Page
I. Summary of Significant Accounting Policies	28-34
A. Reporting Entity	28
B. Basis of Presentation	28-29
C. Measurement Focus and Basis of Accounting	29-30
D. Assets, Liabilities, and Net Position or Equity	30-34
1. Cash, Cash Equivalents, and Investments	30
2. Receivables	30
3. Inventories and Prepaid Expenses	30
4. Capital Assets	31
5. Pensions	31
6. Other Post-Employment Benefit Costs (OPEB)	31
7. Deferred Outflows/Inflows of Resources	31 - 32
8. Compensated Absences	32
9. Long-Term Obligations	32
10. Claims and Judgments	32 - 33
11. Equity Classifications	33 - 34
II. Stewardship, Compliance, and Accountability	35
A. Budgetary Information	35
B. Excess Expenditures Over Appropriations	35
III. Detailed Notes on All Funds	36-43
A. Cash, Cash Equivalents, and Investments	36-39
B. Receivables	39-40
C. Capital Assets	40-41
D. Long-Term Obligations	41-42
E. Lease Disclosures	42
F. Loan Guarantees	43
IV. Other Information	44-56
A. General Information about the Pension Plan	44-48
B. General Information about the OPEB Plan	49-53
C. Risk Management	53
D. Commitments and Contingencies	53
E. Effect of New Accounting Standards on Current Period Financial Statements	53-56
F. Special Items	56



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Wisconsin Economic Development Corporation (WEDC), conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

On February 9, 2011, the Wisconsin Legislature passed legislation creating WEDC, which is a public body corporate and politic, to be known as the "Wisconsin Economic Development Corporation". WEDC was governed by a board of 12 voting members. 2017 Wisconsin Act 369 changed the board composition to 16 voting members, beginning September 1, 2019. The members of the board shall consist of 6 members nominated by the governor, 4 members appointed by the speaker of the assembly, one member appointed by the minority leader of the assembly, 4 members appointed by the senate majority leader, and one member appointed by the minority leader of the senate. The secretary of administration and secretary of revenue shall also serve on the board as non-voting members. Although WEDC was created on February 9, 2011, financial activity did not start until July 1, 2011, upon commencement of the State of Wisconsin 2011-12 budget and the initial transfer of funds.

The duties of the board are to develop and implement economic development programs to provide business support and expertise and financial assistance to companies that are investing and creating jobs in Wisconsin and to support new business start-ups and business expansion and growth in Wisconsin. The board may also develop and implement any other programs related to economic development in Wisconsin. WEDC is a discretely presented component unit of the State of Wisconsin.

The accompanying financial statements include all of the funds of WEDC and its component units, entities for which WEDC is considered to be financially accountable. Blended component units are, in substance, part of WEDC's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of WEDC. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. WEDC does not have component units required to be presented as either blended or discretely presented.

#### **B. BASIS OF PRESENTATION**

##### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information of WEDC. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

significant extent on fees and charges to external customers for support. WEDC has no business-type activities. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

### ***Fund Financial Statements***

The fund financial statements provide information about WEDC's fund. All WEDC activities are reported within the General Fund.

### ***C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING***

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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. Interest revenue is recognized as earned.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt are reported as other financing sources.

Interest on investments is recognized as revenue when earned and received within the period of availability (within 60 days of year-end). Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY***

#### ***1. Cash, Cash Equivalents, and Investments***

WEDC considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash and cash equivalents.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

#### ***2. Receivables***

WEDC administers two types of loans: loans to be repaid and performance-based loans. Loans to be repaid include loans made to businesses that have established repayment schedules. Performance-based loans include loans made to businesses that include certain provisions allowing for the total forgiveness of the loan upon the business meeting certain criteria as documented in the loan agreement.

WEDC uses the allowance method of providing for loan losses. The provision for loan losses charged to expense is based on the loan program type and an adjustment for specific loans based on their past due payment status. WEDC's allowance ranges from 2% to 100% on a per loan basis. WEDC also provides an allowance equal to the balance of all performance-based loans since it is anticipated that all conditions for forgiveness will be met by the loan recipient.

#### ***3. Inventories and Prepaid Expenses***

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### **4. Capital Assets**

Capital assets, which include software and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the WEDC as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two (2) years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Software	3-7 Years
Furniture and Fixtures	3-7 Years
Leasehold Improvements	Remaining life of the lease term
Vehicles	5 Years

In the government fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### **5. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **6. Other Post-Employment Benefit Costs (OPEB)**

The State Retiree Health Insurance Fund is a multiple-employer defined benefit OPEB plan offering group health insurance. The OPEB plan is reported in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Benefit expenses are recognized in the accounting period in which benefits are earned.

### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2019

a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. WEDC has deferred outflows related to the pension and other post-employment benefits (OPEB). Pension and OPEB related deferred charged on refunding are reported in the government-wide financial statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. WEDC reports deferred inflows for unavailable revenue, within its governmental fund's balance sheet. The governmental funds report unavailable revenues for revenues which are earned and measurable but not available. These amounts are recognized as an inflow of resources in the period that the amounts become available. WEDC also has deferred inflows related to pension and OPEB. Pension and OPEB related deferred charged on refunding is reported in the government-wide financial statement of net position.

### **8. *Compensated Absences***

WEDC's policy allows employees to accumulate 240 hours of paid time off. Hours in excess of 240 or unused hours lapse. The compensated absences liability for paid time off is calculated based on the pay or salary rates in effect at year-end. Former department of commerce employees received an additional transitional credit upon transfer to WEDC. This credit was based on the employee's years of service and pay rate in effect at the time of the transition. This credit will be paid out to qualifying employees upon eligible retirement from WEDC.

Liabilities for these benefits are accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

### **9. *Long-Term Obligations***

All long-term obligations to be repaid from governmental activities are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of compensated absences, capital leases, and notes payable.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt is reported as other financing sources and payments of principal and interest are reported as expenditures.

### **10. *Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

incurred. Claims and judgments are recorded in the governmental fund financial statements as expenditures only if they are due and payable.

### **11. Equity Classifications**

#### **Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is WEDC's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Fund Statements**

Governmental fund equity is classified as fund balance. The fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of WEDC's highest level of decision-making authority. This action must occur prior to year-end. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2019

type of action is employed to previously commit those amounts. WEDC does not have any committed fund balance. WEDC's highest level of decision-making authority is WEDC's eighteen-member board and commitments made by the WEDC Board are done through the adoption of a resolution passed by a quorum of the Board.

- Assigned – includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing board itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The WEDC board delegates authority to the CEO or the CFO to establish assignments of fund balance.

WEDC Board adopted FIN 104 Fund Balance Policy. The policy has established a target for its unassigned fund balance on June 30<sup>th</sup> of each fiscal year to equal one-sixth of the annual administrative expenditures

- Unassigned – fund balance is the residual classification for the General Fund. If the unassigned fund balance exceeds the established target, WEDC will look to ways of reducing the unassigned fund balance over time, which may include the use of a portion of the unrestricted fund balance to help fund future operating budgets or to increase program spending in the current fiscal year.

WEDC's fund balance policy specifies that when multiple classifications of fund balance are available, that fund balance shall be spent in the following order: restricted, committed, assigned then unassigned.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### NOTE II – Stewardship, Compliance, and Accountability

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#### **A. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting as described in Note I C.

A budget has been adopted for the General Fund. Appropriations lapse at year-end. Budgets are adopted at the department level of expenditure. The budgeted amounts presented include any amendments adopted during the year. Changes to the overall budget must be approved by a quorum of the Board.

#### **B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations are as follows:

<u>Fund</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>	<u>% Change</u>
General Fund				
Executive office	\$ 1,143,755	\$ 1,174,063	\$ (30,308)	-2.6%
Operations & program performance	425,629	430,937	(5,308)	-1.2%
Finance	779,787	802,129	(22,342)	-2.9%
Credit and risk	1,165,765	1,216,277	(50,512)	-4.3%

Executive office, Operations and program performance, Finance, and Credit and risk Divisions exceeded their budgets due to an underestimate of employment vacancies rate. The excess of expenditures over appropriations was financed with current year revenue sources and available fund balances.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### NOTE III – Detailed Notes on All Funds

#### **A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

WEDC's deposits and investments at year-end were comprised of the following:

	Statement Balance	Carrying Value	Associated Risks
Demand deposits	\$ 6,564,454	\$ 5,309,849	Custodial credit risk
Money market	38,899,401	38,899,401	Custodial credit risk
US Agency	52,442,828	52,442,828	Custodial credit, credit, concentration of credit, and interest rate risk
Total	<u>\$97,906,683</u>	<u>\$96,652,078</u>	

The difference between the statement balance and the carrying value is due to outstanding checks and deposits in transit.

WEDC's policy limits cash and investments to the following:

- Checking and savings accounts;
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation, such as the Local Government Investment Pool and Wisconsin Investment Series Cooperative;
- Non-negotiable certificates of deposits, certificates of deposit purchased through the Certificate of Deposit Account Registry Service (CDARS), other fully insured certificate of deposit programs such as the money market account offered by American Deposit Management Company or purchased via a registered investment advisor/company;
- Negotiable certificate of deposits if the issuer/financial institution has a rating in the second highest tier, or higher by a nationally recognized rating agency;
- Stable Net Asset Value Money market mutual funds regulated by Rule 2a-7 of the Securities and Exchange Commission and whose portfolios consist of only dollar-denominated securities;
- Bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government;
- Bonds of the State of Wisconsin;
- Commercial paper is rated in the highest tier by a nationally recognized rating agency; and
- Overnight repurchase agreements with a public depository as defined in statute 34.01 (5), provided that the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government and held by a third-party custodian. WEDC shall be informed of the specific collateral and investments in the repurchase agreements and the agreement shall be collateralized at least 102% of the value of WEDC's investment.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### ***Custodial Credit Risk***

#### **Deposits**

For a deposit, custodial credit risk is the risk that in the event of a financial institution failure, WEDC's deposits may not be returned to WEDC. Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), and \$250,000 for interest-bearing demand deposit accounts. WEDC has collateral agreements in the amount of \$38.8 million for uninsured deposits that are held at the WEDC's primary bank and the American Deposit Management certificates of deposits as of June 30, 2019. American Deposit Management held the collateral agreements with PNC Bank, City National Bank of Florida, NexBank, and Western Alliance Bank. Collateral agreements are to prohibit the release of pledged assets without WEDC's authorization, however, substitution of like collateral (valued and type) is allowed.

At year-end WEDC had no deposits that were exposed to custodial credit risk as all deposits were insured or collateralized.

#### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2019, \$52.5 million of uninsured investment securities are held at the custodian bank in book-entry form.

#### **Policy**

WEDC's policy requires all deposits above federal insurance limits that are not registered in WEDC's name will be protected through collateral or letters of credit. The collateral shall be in bonds or securities issued by the federal government, its agencies or instrumentalities, held by an independent third-party custodian with whom WEDC has a current custodial agreement with a value of 102% of the uninsured balance.

### ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. In general, the longer the time until an investment matures, the greater the sensitivity of its fair value to changes in market interest rates. WEDC's investment policy restricts investments to those with a maturity date less than five years.

Information about the sensitivity of the fair values of WEDC's investments to market interest rate fluctuations is provided by the following table that shows the distribution of WEDC's investments by maturity:

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

Investment	Maturity Term			Total
	< 1 Year	1 - 2 Years	2 - 3 Years	
Federal Home Loan Bank	\$ 1,944,345	\$ -	\$ 1,657,526	\$ 3,601,871
Federal National Mortgage Association	4,092,081	3,569,443	1,780,190	9,441,714
Federal Home Loan Mortgage Corporation	2,993,300	-	-	2,993,300
State of WI Issue	224,307	-	-	224,307
US Treasury	13,440,097	18,480,283	4,261,256	36,181,636
Total	<u>\$ 22,694,130</u>	<u>\$ 22,049,726</u>	<u>\$ 7,698,972</u>	<u>\$ 52,442,828</u>

### ***Credit Risk***

Credit risk is the risk that WEDC would lose money due to the default or potential default of a bond or securities issuer. WEDC reduces our exposure to this risk by restricting our allowed investments. WEDC is not subject to Wisconsin statutes section 66.0603 regulating allowable investments. WEDC limits cash assets and investments to the authorized deposits and investments listed above.

WEDC will diversify investments by type, length of maturity, and institution subject to limitations established in this policy, and to the extent practicable, considering safety of principal, yield, collateralization, investment costs, and available bidders.

Investment	AAA/Aa+	AA+/Aaa
Federal Home Loan Bank	\$ 3,601,871	\$ -
Federal National Mortgage Association	9,441,714	-
Federal Home Loan Mortgage Corporation	2,993,300	-
State of WI Issue	-	224,307
US Treasury	36,181,636	-
Total	<u>\$ 52,218,521</u>	<u>\$ 224,307</u>

### ***The Concentration of Credit Risk***

The concentration of credit risk is the risk of loss attributed to having a large amount of investments in a single issuer. Diversifying the investment portfolio will also minimize this risk. WEDC limits investments in a single issuer to 5% of WEDC's total cash and investments balances; investments in bonds issued by the federal government or instrumentality of the federal government are exempt from this requirement.

### ***Fair Value Measurement***

WEDC categorized its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

WEDC has the following recurring fair value measurements as of June 30, 2019:

Investment	Level 1	Level 2	Level 3
US Government Issues	\$ 36,181,636	\$ 16,036,885	\$ -
State of WI Issue	-	224,307	-
Total Assets	<u>\$ 36,181,636</u>	<u>\$ 16,261,192</u>	<u>\$ -</u>

U.S. Treasury securities of \$36.2 million are valued using quoted market prices of these assets (Level 1 inputs).

Government Sponsored Entity (GSE) securities, which include FHLB, FNMA, and FHLMC, of \$16.0 million are valued using quoted market prices of these or similar assets using various market and industry inputs (Level 2 inputs).

State of WI Issue \$0.2 million are valued based on various market and industry inputs (Level 2 inputs).

### **B. RECEIVABLES**

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, \$1,309,232 was considered to be earned but not available.

#### ***Loans Receivable***

WEDC holds a number of loans with Wisconsin businesses, some of which are to be repaid and some which can be forgiven provided the business meets certain criteria detailed in each loan agreement. An allowance for uncollectible loans is provided on the outstanding balance. Performance-based loans are considered to be uncollectible as it is anticipated that the businesses will meet the specified criteria. The loans have varying interest rates and maturities.

Interest accrued but not received on outstanding loans is recorded as interest receivable. Similar to the loans themselves, an allowance has been provided for uncollectible interest on the outstanding balance. Interest accrued on performance-based loans is also considered to be uncollectible. Detail of the outstanding loans and interest receivable as of June 30, 2019, is as follows:



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

	Repayable Loans	Performance Based Loans	Total
Loans receivable	\$ 33,895,398	\$ 11,498,400	\$ 45,393,798
Allowance for uncollectible	(7,490,533)	-	(7,490,533)
Allowance for performance based loans	-	(11,498,400)	(11,498,400)
Net loans receivable	<u>\$ 26,404,865</u>	<u>\$ -</u>	<u>\$ 26,404,865</u>
Interest receivable	\$ 1,132,685	\$ 600,077	\$ 1,732,762
Allowance for uncollectible	(489,219)	-	(489,219)
Allowance for performance based loans	-	(600,077)	(600,077)
Net interest receivable	<u>\$ 643,466</u>	<u>\$ -</u>	<u>\$ 643,466</u>

### **C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

Capital Assets	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated				
Software	\$1,738,776	\$ 74,839	\$ 194,725	\$1,618,890
Furniture and fixtures	-	69,728	-	69,728
Leasehold improvements	409,244	67,381	-	476,625
Vehicles	148,793	51,807	39,189	161,411
Total Capital Assets Being Depreciated	<u>2,296,813</u>	<u>263,755</u>	<u>233,914</u>	<u>2,326,654</u>
Less: Accumulated Depreciation for				
Software	815,020	302,491	194,725	922,786
Furniture and fixtures	-	19,369	-	19,369
Leasehold improvements	409,244	8,471	-	417,715
Vehicles	57,411	31,609	39,189	49,831
Total Accumulated Depreciation	<u>1,281,675</u>	<u>361,940</u>	<u>233,914</u>	<u>1,409,701</u>
Total Capital Assets	<u>\$1,015,138</u>	<u>\$ (98,185)</u>	<u>\$ -</u>	<u>\$ 916,953</u>

Beginning in fiscal year 2019, WEDC leasehold improvement assets were fully depreciated. WEDC incurred \$67,381 additional leasehold improvements assets in the current year and will be depreciating the leasehold improvements over the term of the lease contract, which ends June 30, 2021.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

Depreciation expense was charged to functions as follows:

Depreciation	
General administration	\$ 16,348
Marketing & brand strategy	175,447
Business & community development	23,732
Technology & information systems	146,413
Total Depreciation Expense	<u>\$ 361,940</u>

### **D. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2019 was as follows:

Long-Term Obligation	Balance	Additions	Deletions	Balance	Current	Long-Term
Compensated absences	\$ 656,966	\$ 990,265	\$ 967,629	\$ 679,602	\$ -	\$ 679,602
Note payable - State of Wisconsin	1,945,360	388,170	63,829	2,269,701	154,135	2,115,566
Total Long-Term Obligations	<u>\$2,602,326</u>	<u>\$1,378,435</u>	<u>\$1,031,458</u>	<u>\$2,949,303</u>	<u>\$154,135</u>	<u>\$2,795,168</u>

These liabilities will be funded from WEDC's General Fund.

### **Notes Payable – State of Wisconsin**

The State of Wisconsin (the State) has issued appropriation bonds in order to pay off the unfunded prior service costs for state employees participating in the WRS. The first of these bonds was issued in 2003 and the current final maturity for all of the bonds is in 2032. The State has issued a total of six debt issuances, of which two are variable rate instruments. The total outstanding balance of all of these debt issuances was \$1,457,740,000 as of June 30, 2019. The full details of these debt issues can be found within the State's annual financial statements.

These bonds are an obligation of the State, not a direct obligation of WEDC. WEDC has assessed a portion of the State's debt service costs on an annual basis related to these bond issuances. This assessment is based on WEDC's retirement contributions in relation to the retirement contributions of the other State agencies.

The amount reported as WEDC's share of the total outstanding debt is calculated at 0.1557% as of July 1, 2018, the most recently available period. The liability reported above, and estimated repayment schedule shown below has been calculated using this percentage. The actual amounts owed will fluctuate from year to year based on WEDC's retirement contributions compared to the other agencies and the variable interest rate component of some of the debt issuances. Adjustments to the estimated amounts owed are shown as adjustments in the notes payable balance on an annual basis. The table shows the future payments under this obligation as currently calculated.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

Governmental Activities		
Notes Payable		
Year	Principal	Interest
2020	\$ 154,135	\$ 108,836
2021	167,915	103,044
2022	184,139	98,002
2023	202,612	91,965
2024	226,154	84,599
2025 - 2030	1,121,982	264,264
2031 - 2032	212,764	14,842
	<u>\$ 2,269,701</u>	<u>\$ 765,552</u>

### ***E. LEASE DISCLOSURES***

#### ***Lessee - Operating Leases***

WEDC has entered a long-term lease for office space in Milwaukee with Water Accelerator, LLC. The contract will be expired on December 31, 2023, with the option to renew. Also, WEDC signed a lease with the State of Wisconsin Department of Administration for the Madison office. The contract is intended to cover the period of March 16, 2018 through June 30, 2021, with no option to renew. The following is a schedule of future minimum rental payments expected to be required under the terms of the intended operating lease.

Year	Future Minimum Rental
2020	\$ 612,190
2021	626,074
2022	79,786
2023	80,983
2024	40,793
Total	<u>\$ 1,439,826</u>

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### ***F. LOAN GUARANTEES***

Part of WEDC's mission includes providing loan guarantees to local businesses to aid in economic development and job creation. WEDC has guaranteed four bank loans for businesses within the State, with one guarantee outstanding as of June 30, 2019.

At year-end, the business was making payments in accordance with their loan agreement and management determined that it is not likely that WEDC will be required to make a payment on this guarantee. Accordingly, no liability is reported in the financial statements for this guarantee. The table below summarizes the amount of the guarantee along with the final maturity date of the underlying obligation.

<u>Original Guarantee Amount</u>	<u>Remaining Balance Of Guarantee</u>	<u>Guarantee Agreement Date</u>	<u>Date of Final Maturity</u>
\$ 330,000	\$ 330,000	September 14, 2015	September 14, 2020

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### NOTE IV – Other Information

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#### **A. GENERAL INFORMATION ABOUT THE PENSION PLAN**

##### ***Plan Description***

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011 and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

##### ***Vesting***

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

##### ***Benefits Provided***

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings are the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### ***Post-Retirement Adjustments***

The ETF Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0.0%
2009	-2.1%	-42.0%
2010	-1.3%	22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%

### ***Contributions***

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$533,037 in contributions from the employer. Contribution rates as of June 30, 2019 are:

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General, Teachers, Executive & Elected Officials	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, WEDC reported a liability of \$1,810,922 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The WEDC's proportion of the net pension liability (asset) was based on the WEDC share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the WEDC proportion was 0.0509%, which was an increase of 1.9% from its proportion measured as of December 31, 2017 which was 0.04997%.

For the year ended June 30, 2019, the WEDC recognized pension expense of \$1,124,980.

At June 30, 2019, the WEDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,394,475	\$ (2,493,141)
Changes in assumptions	305,255	-
Net differences between projected and actual earnings on pension plan investments	2,644,729	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(48,060)
Employer contributions subsequent to the measurement date	277,526	-
Total	<u>\$4,621,985</u>	<u>\$ (2,541,201)</u>



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

\$277,526 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to a pension will be recognized in pension expense as follows:

Year Ended June 30	Net Deferred Outflows (Inflows) of Resources
2020	\$ 620,231
2021	156,710
2022	291,548
2023	734,769
Thereafter	-

### **Actuarial Assumptions**

The total pension liability on December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry-Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1%-5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

*\*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

### **Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49.0%	8.1%	5.5%
Fixed Income	24.5%	4.0%	1.5%
Inflation Sensitive Assets	15.5%	3.8%	1.3%
Real Estate	9.0%	6.5%	3.9%
Private Equity/Debt	8.0%	9.4%	6.7%
Multi-Asset	4.0%	6.7%	4.1%
Total Core Fund	110.0%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
US Equities	70.0%	7.6%	5.0%
International Equities	30.0%	8.5%	5.9%
Total Variable Fund	100.0%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%  
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

### ***Single Discount Rate***

A single discount rate of 7.0% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.2% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### ***The Sensitivity of the WEDC's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the WEDC's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the WEDC's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
WEDC's proportionate share of the net pension liability (asset)	\$ 7,196,797	\$ 1,810,922	\$ (2,193,892)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 19-21.

At June 30, 2019, WEDC has no accrued payable to the defined benefit pension plan.

### **B. GENERAL INFORMATION ABOUT THE OPEB PLAN**

#### ***Plan Description***

The State of Wisconsin's Health Insurance Plan defined as a single employer plan under Governmental Accounting Standards Boards Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and component unit employers. Created under Chapter 40 of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2017, the most recent actuarial valuation date, there were 61,952 active and 7,409 retirees and beneficiaries and participating in the plan. There were also 1,537 vested terminated members that are entitled to receive benefits but are not currently participating.

#### ***Benefits Provided***

Under this plan, retired employees of the State and participating component units pay the same healthcare premium as active employees, creating an implicit rate subsidy. The total amount by which the premiums are higher for active employees when they are pooled with inactive employees than when the active employees are separately rated is referred to as an implicit rate subsidy in relation to the benefits for the inactive employees.

The actuarially-determined implicit rate subsidy for pre-age 65 retirees is treated as another postemployment benefit (OPEB). At age 65, when eligible, retirees are required to enroll in Medicare.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### **Contributions**

Retiree health insurance OPEB benefits are paid on a “pay-as-you-go” basis. There is no trust and no assets have accumulated for the plan. In the fiscal year 2018 participating employers made actuarially-determined contributions of \$40,815,392 for the implicit rate subsidy. That is, the actuary determined that employer paid health insurance contributions for active employees were \$40.8 million higher than they would have been if they were rated separately from retired participants. \$69,710 was WEDC’s portion of the contribution.

### **Measurement Focus and Basis of Accounting**

The Plan is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Premiums paid by retirees and benefits expenses are recognized in the accounting period in which the benefits are provided.

### **Actuarial Assumptions**

The total OPEB liability was determined using the following actuarial assumptions:

Actuarial Valuation Date	January 1, 2017
Measurement Date of Total OPEB Liability	June 30, 2018
Reporting Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal, level percent of pay
Asset Valuation Method	N/A
Inflation	3.00%
Salary Increases	Vary by service and employee class, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	
Medical	5.25% for 2018 grading down 0.25% per year to 4.50%
Prescription Drug	8.50% for 2018 grading down 0.50% per year to 5.00%
Dental	4.00% for 2018 and thereafter
Administrative Costs	3.00% for 2018 and thereafter
Mortality Rates	Wisconsin 2017 Mortality Table

### **Discount Rate**

The discount rate is equal to the yield or index rate of 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher in accordance with paragraph 155 of GASB 75 pertaining to nontrusted OPEB plans.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The allocation of the employers' proportionate shares of the OPEB amounts for the fiscal year 2019 are based on the percentage of actual employer contributions during the fiscal year 2018 to correspond with the measurement date.

At June 30, 2019, WEDC reported a liability of \$697,142 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2018, with an actuarial valuation as of January 1, 2017, adjusted for expected changes from the census date to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The WEDC's proportion of the total OPEB liability was based on the WEDC share of contributions to the OPEB plan relative to the contributions of all participating employers. On June 30, 2018, the WEDC proportion was 0.1292%, the same proportional percentage as of June 30, 2017.

Total OPEB Liability – June 30, 2017	\$	929,312
Service cost		74,988
Interest		35,012
Differences between expected and actual experience		1,092
Change of assumptions		(290,443)
Benefit payments		(52,819)
Total OPEB Liability – June 30, 2018	\$	<u>697,142</u>

The Total Deferred Inflows and Outflows of Resources are amortized over the average active participant's service life of 11 years. Total Deferred Inflows and Outflows of Resources to be recognized in the current OPEB expense are as follows:

	Outflows of Resources	Inflows of Resources
Changed in proportion	\$ 17,847	\$ (144)
Employer contributions subsequent to the measurement date	52,835	-
Difference between expected and actual experience	-	(4,287)
Changes in assumptions	983	(376,810)
Total	<u>\$ 71,665</u>	<u>\$ (381,241)</u>

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

\$52,835 as deferred outflows related to OPEB resulting from the State Retiree Health Plan contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Net Deferred Outflows (Inflows) of Resources
2020	\$ (42,360)
2021	(42,360)
2022	(42,360)
2023	(42,360)
2024	(42,360)
Thereafter	(169,441)
Total	<u>\$ (381,241)</u>

For the year ended June 30, 2019, the WEDC recognized pension expense of \$67,756.

Service cost	\$ 74,988
Interest	35,012
Recognition of deferred inflows	<u>(42,244)</u>
Total OPEB Expense	<u>\$ 67,756</u>

### ***Sensitivity to Changes***

The following presents the total WEDC's OPEB liability as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate.

	1% Decrease to Discount Rate (2.87%)	Current Discount Rate (3.87%)	1% Increase to Discount Rate (4.87%)
Total OPEB Liability	\$ 746,784	\$ 697,142	\$ 650,615

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

The table below shows the total WEDC's OPEB liability calculated if the healthcare cost trend rates were 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates. The various healthcare trend rates can be found in the Actuarial Assumptions section of this report.

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Total OPEB Liability	\$ 616,421	\$ 697,142	\$ 793,428

### **C. RISK MANAGEMENT**

WEDC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

### **D. COMMITMENTS AND CONTINGENCIES**

From time to time, WEDC is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and WEDC attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on WEDC's financial position or results of operations.

WEDC has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Approximately 87% of the funding for WEDC comes from the State.

WEDC has entered into contracts and provides offers of financial assistance to businesses and partners in the State for future financial assistance. The remaining unexpended balance on these contracts and commitments has been reported as either restricted or assigned fund balance as appropriate. At year end, \$48,256,751 was reported in total for these contracts, \$47,756,751 as restricted fund balance, and \$500,000 as assigned fund balance.

### **E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved the following new accounting pronouncements:



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

- Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016 – This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in the statement. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2019.
- Statement No. 84, *Fiduciary Activities*, issued January 2017 - This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.
- Statement No. 87, *Leases*, issued June 2017 - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for fiscal years beginning after December 15, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued in June 2018. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2019

for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement establishes that ownership of a majority equity interest in a legally separate organization results in the government is financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented inflows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.
- Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer;

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2019

establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The effective date for each of this new statement is included above. GASB encourages early implementation of these new statements. Application of these standards may result in the restatement of portions of these financial statements.

### ***F. SPECIAL ITEMS***

WEDC has been asked to make a \$25.0 million payment to the State of Wisconsin by January 1, 2020. These funds will be taken from WEDC's unassigned fund balance.



# **REQUIRED SUPPLEMENTARY INFORMATION**





**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

SCHEDULE OF WEDC'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET)  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

December 31,	2014	2015	2016	2017	2018
WEDC's proportion of the net pension liability (asset)	0.0445%	0.0471%	0.0488%	0.0500%	0.0509%
WEDC's proportionate share of the net pension liability (asset)	\$ (1,094,106)	\$ 765,867	\$ 402,113	\$ (1,483,782)	\$ 1,810,922
WEDC's covered payroll	\$ 6,574,065	\$ 6,960,140	\$ 7,291,932	\$ 7,495,150	\$ 7,955,782
WEDC's proportionate share of net pension liability (asset) as a percentage of covered payroll	-16.64%	11.00%	5.51%	-19.80%	22.76%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%	102.93%	96.45%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\* Accounting standards requires that ten years of supplementary information be presented. WEDC will be displayed as it becomes available.

SCHEDULE OF WEDC CONTRIBUTIONS  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019
Contractually required contributions	\$ 460,187	\$ 485,967	\$ 524,408	\$ 506,508	\$ 554,537
Contributions in relation to the contractually required contributions	460,187	485,967	524,408	506,508	554,537
Contributions deficiency (excess)	-	-	-	-	-
WEDC's covered payroll	6,574,065	7,242,852	7,830,074	7,504,837	8,371,538
Contributions as a percentage of covered payroll	7.0%	6.7%	6.7%	6.7%	6.6%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

\* Accounting standards requires that ten years of supplementary information be presented. WEDC will be displayed as it becomes available.

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2019**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* There were no changes in the assumptions.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF WEDC'S PROPORTIONATE SHARE OF THE  
TOTAL OPEB LIABILITY  
State Retiree Health Insurance  
Last 10 Fiscal Years\***

	2016	2017	2018
WEDC's proportion of the total OPEB liability (asset)	0.1264%	0.1292%	0.1292%
WEDC's proportionate share of the total OPEB liability (asset)	\$ 979,908	\$ 929,312	\$ 697,142
WEDC's covered payroll	7,291,932	7,495,150	7,955,782
WEDC's proportionate share of total OPEB liability (asset) as a percentage of covered employee payroll	13.44%	12.40%	8.76%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0.00%	0.00%	0.00%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within

\* Accounting standards requires that ten years of supplementary information be presented. WEDC will be

**SCHEDULE OF WEDC CONTRIBUTIONS  
State Retiree Health Insurance  
Last 10 Fiscal Years\***

	2017	2018	2019
Contractually required contributions	\$ 46,374	\$ 48,957	\$ 69,710
Contributions in relation to the contractually required contributions	46,374	48,957	69,710
Contributions deficiency (excess)	-	-	-
WEDC's covered payroll	7,830,074	7,504,837	8,371,538
Contributions as a percentage of covered-employee payroll	0.6%	0.7%	0.8%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within

\* Accounting standards requires that ten years of supplementary information be presented. WEDC will be

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2019**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* The Discount Rate was changed to 3.87% for the June 30, 2018 measurement from 3.58% for the June 30, 2017 measurement.

The Participation Assumption (the number of retiring active employees that are assumed to elect to be covered) was previously 85%, and was changed to 80%.

Lapse rates were added. In this valuation was assumed 10% of participants that are covered lapse coverage each year.



# **SUPPLEMENTARY INFORMATION**





**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BY OBJECT  
GENERAL FUND**

For the Years Ended June 30, 2018 AND 2019

	June 30, 2018	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>					
Intergovernmental	\$ 60,325,473	\$ 43,983,112	\$ 43,776,523	\$ 43,591,724	\$ (184,799)
Charges for services	149,989	210,000	196,000	178,429	(17,571)
Interest income	1,741,684	2,555,000	3,481,000	3,826,919	345,919
Other revenues	419,602	350,726	383,991	231,981	(152,010)
Total Revenues	<u>62,636,748</u>	<u>47,098,838</u>	<u>47,837,514</u>	<u>47,829,053</u>	<u>(8,461)</u>
<b>EXPENDITURES</b>					
Program grants	15,580,431	25,372,000	27,957,000	23,869,546	4,087,454
Loan loss reserve	1,830,105	1,000,000	1,000,000	458,801	541,199
Loan loss reserve - performance based loans	1,500,000	-	-	-	-
Key strategic partners	4,288,219	4,657,500	4,657,500	4,609,350	48,150
Promotions	4,140,170	8,282,810	8,442,130	7,802,068	640,062
Payroll and benefits	10,517,883	11,828,177	11,253,590	11,292,613	(39,023)
Operations and general	6,340,255	7,143,263	6,645,510	5,681,773	963,737
Capital	432,036	80,000	84,000	255,355	(171,355)
Debt service	178,589	210,000	150,000	173,948	(23,948)
Total Expenditures	<u>44,807,688</u>	<u>58,573,750</u>	<u>60,189,730</u>	<u>54,143,454</u>	<u>6,046,276</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	17,829,060	(11,474,912)	(12,352,216)	(6,314,401)	(6,054,737)
Special items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000,000)</u>	<u>25,000,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ 17,829,060</u>	<u>\$ (11,474,912)</u>	<u>(12,352,216)</u>	<u>(31,314,401)</u>	<u>\$ 31,037,815</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>				<u>121,511,457</u>	
<b>FUND BALANCES - END OF YEAR</b>				<u>\$ 90,197,056</u>	



# STATISTICAL SECTION





# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## STATISTICAL SECTION

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This part of WEDC's Comprehensive Annual Financial Report presents detailed information as a framework for understanding what the information in the financial statements and note disclosures, says about the overall financial well-being of WEDC.

Contents	Page
<b>Financial Trends</b>	61 - 64
These schedules contain trend information to help the reader understand how WEDC's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	65 - 67
These schedules contain information to help the reader assess WEDC's most significant own-source revenue source, interest on loans	
<b>Debt Capacity</b>	68
These schedules present information to help the reader assess the affordability of WEDC's current levels of outstanding debt and WEDC's ability to issue new debt in the future.	
<b>Demographic and Economic Information</b>	69 - 70
These schedules offer demographic and economic indicators to help the reader understand the environment within which WEDC's financial activities take place.	
<b>Operating Information</b>	71 - 75
These schedules contain service and infrastructure data to help the reader understand how the information in WEDC's financial report relates to the services WEDC provides and the activities it performs.	

*Sources: Unless otherwise noted, the information in these schedules is obtained from the comprehensive annual financial reports for the given year.*

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

FINANCIAL TRENDS  
CHANGES IN NET POSITION  
Last Eight Fiscal Years

	Fiscal Year							
	(As Restated)							
	2012	2013	2014	2015	2016	2017	2018	2019
Expenses								
General administration	\$13,056,584	\$19,848,912	\$ 6,201,310	\$ 7,621,160	\$ 7,963,400	\$ 8,369,482	\$ 8,234,566	\$ 10,059,902
Marketing & brand strategy	1,202,147	2,852,310	5,662,794	5,428,254	4,106,688	4,095,388	5,113,107	8,874,239
Economic development	13,056,977	20,820,325	27,750,545	25,148,978	36,907,171	31,132,493	31,281,848	36,170,819
Interest and fiscal charges	67,209	96,700	108,128	224,989	146,109	121,250	92,921	110,119
Total Government Activities Expenses	<u>27,382,917</u>	<u>43,618,247</u>	<u>39,722,777</u>	<u>38,423,381</u>	<u>49,123,368</u>	<u>43,718,613</u>	<u>44,722,442</u>	<u>55,215,079</u>
Program Revenues								
Charges for services	936,876	818,021	191,796	245,162	184,108	223,762	149,989	178,429
Operating grants and contributions	46,074,090	5,181,444	1,759,196	2,541,024	1,393,199	2,699,810	2,643,910	3,041,024
Total Governmental Activities Program Revenues	<u>47,010,966</u>	<u>5,999,465</u>	<u>1,950,992</u>	<u>2,786,186</u>	<u>1,577,307</u>	<u>2,923,572</u>	<u>2,793,899</u>	<u>3,219,453</u>
Net (Expense)/Revenue	<u>19,628,049</u>	<u>(37,618,782)</u>	<u>(37,771,785)</u>	<u>(35,637,195)</u>	<u>(47,546,061)</u>	<u>(40,795,041)</u>	<u>(41,928,543)</u>	<u>(51,995,626)</u>
General Revenues and Other Changes in Net Position								
Intergovernmental revenues not restricted to specific programs	55,207,206	55,238,288	39,900,700	58,300,700	28,750,700	34,250,700	57,681,563	40,550,700
Interest income	693,739	837,391	1,135,416	1,648,401	1,511,244	1,822,528	1,741,684	3,826,919
Miscellaneous	-	891,168	58,969	195,541	379,681	701,616	798,049	542,809
Total Governmental Activities General Revenues	<u>55,900,945</u>	<u>56,966,847</u>	<u>41,095,085</u>	<u>60,144,642</u>	<u>30,641,625</u>	<u>36,774,844</u>	<u>60,221,296</u>	<u>44,920,428</u>
Special items	-	-	-	-	-	-	-	25,000,000
Change in Net Position	<u>\$75,528,994</u>	<u>\$19,348,065</u>	<u>\$ 3,323,300</u>	<u>\$24,507,447</u>	<u>\$(16,904,436)</u>	<u>\$ (4,020,197)</u>	<u>\$18,292,753</u>	<u>\$(32,075,198)</u>

Notes:

In 2012 and 2013 loan loss reserve and performance based loan reserve expenses were reported with in the general administration function.

Beginning in 2014 these expenses are reported within the economic development function.

Accounting standards requires that ten years of trend information be presented.

WEDC has only been in operation since June, 2011 (fiscal year 2012), only those years are presented.

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

FINANCIAL TRENDS  
NET POSITION BY COMPONENT  
Last Eight Fiscal Years

	Fiscal Year							
	(As Restated)							
	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities								
Net investment in capital assets	\$ 153,039	\$ 934,111	\$ 1,872,245	\$ 1,501,464	\$ 723,500	\$ 934,349	\$ 1,015,137	\$ 916,953
Restricted	15,249,905	17,984,574	25,471,389	33,799,765	30,074,692	41,738,826	52,928,688	48,448,573
Unrestricted	60,126,050	75,958,374	72,415,740	88,965,592	76,563,193	59,846,352	66,868,455	39,371,556
Total	<u>\$ 75,528,994</u>	<u>\$ 94,877,059</u>	<u>\$ 99,759,374</u>	<u>\$ 124,266,821</u>	<u>\$ 107,361,385</u>	<u>\$ 102,519,527</u>	<u>\$ 120,812,280</u>	<u>\$ 88,737,082</u>

Notes:

Accounting standards requires that ten years of trend information be presented.

WEDC has only been in operation since June, 2011 (fiscal year 2012), only those years are presented.

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

FINANCIAL TRENDS  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Eight Fiscal Years

	Fiscal Year							
	(As Restated)							
	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>								
Intergovernmental	\$ 56,044,552	\$ 60,419,732	\$ 41,580,556	\$ 60,800,655	\$ 30,143,899	\$ 36,950,510	\$ 60,235,473	\$ 43,591,724
Charges for services	-	320,281	221,258	256,675	184,108	223,762	149,989	178,429
Interest on loans	693,739	806,294	1,102,791	1,661,869	1,511,244	1,822,528	1,741,684	3,826,919
Other revenues	936,876	922,265	138,309	242,791	270,391	259,666	419,602	231,981
<b>Total Revenues</b>	<b>57,675,167</b>	<b>62,468,572</b>	<b>43,042,914</b>	<b>62,961,990</b>	<b>32,109,642</b>	<b>39,256,466</b>	<b>62,546,748</b>	<b>47,829,053</b>
<b>Expenditures</b>								
<b>Current</b>								
General administration	12,972,916	19,510,784	5,474,861	6,793,593	6,766,661	7,882,348	7,968,542	9,038,736
Marketing & brand strategy	1,152,183	2,754,902	5,286,566	5,317,052	3,831,345	3,806,912	4,953,572	8,670,380
Economic development	12,982,036	20,554,445	27,734,152	25,014,023	36,761,125	31,334,435	31,274,949	36,005,035
Capital outlay	370,407	934,967	1,555,670	110,498	148,449	291,761	432,036	255,355
<b>Debt Service</b>								
Principal	67,312	88,607	161,929	89,631	85,090	81,424	85,668	63,829
Interest and fiscal charges	67,209	96,700	108,128	114,491	146,109	121,250	92,921	110,119
<b>Total Expenditures</b>	<b>27,612,063</b>	<b>43,940,405</b>	<b>40,321,306</b>	<b>37,439,288</b>	<b>47,738,779</b>	<b>43,518,130</b>	<b>44,807,688</b>	<b>54,143,454</b>
<b>Excess (Deficiency) of Revenues</b>								
<b>Over/(Under) Expenditures</b>	<b>30,063,104</b>	<b>18,528,167</b>	<b>2,721,608</b>	<b>25,522,702</b>	<b>(15,629,137)</b>	<b>(4,261,664)</b>	<b>17,739,060</b>	<b>(6,314,401)</b>
<b>Other Financing Sources (Uses)</b>								
Proceeds on capital lease	224,585	-	-	-	-	-	-	-
Contributions from State of Wisconsin	46,513,032	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>46,737,617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Special items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,000,000)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 76,800,721</b>	<b>\$ 18,528,167</b>	<b>\$ 2,721,608</b>	<b>\$ 25,522,702</b>	<b>\$ (15,629,137)</b>	<b>\$ (4,261,664)</b>	<b>\$ 17,739,060</b>	<b>\$ (31,314,401)</b>
<b>Capital Asset Additions</b>	<b>\$ 370,407</b>	<b>\$ 826,220</b>	<b>\$ 1,209,599</b>	<b>\$ 110,498</b>	<b>\$ 148,449</b>	<b>\$ 302,819</b>	<b>\$ 441,842</b>	<b>\$ 263,755</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.3%</b>

**Notes:**

In 2012 and 2013 loan loss reserve and performance based loan reserve expenses were reported within the general administration function. Beginning in 2014 these expenses are reported within the economic development function. Accounting standards requires that ten years of trend information be presented.

WEDC has only been in operation since June, 2011 (fiscal year 2012), only those years are presented.

**Sources:**

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

FINANCIAL TRENDS  
FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Eight Fiscal Years

	Fiscal Year							
	(As Restated) 2012	2013	2014	2015	2016	2017	2018	2019
General Fund								
Nonspendable	\$33,527,569	\$29,573,758	\$35,538,497	\$ 42,556,241	\$ 43,185,830	\$ 38,991,331	\$ 31,236,400	\$ 26,641,664
Restricted	15,249,905	17,984,574	25,471,389	33,799,765	30,074,692	41,738,826	52,928,688	48,448,573
Assigned	-	13,722,294	21,434,223	45,180,264	31,671,775	19,693,031	3,419,326	7,779,303
Unassigned	28,023,247	34,048,262	15,606,387	2,036,928	3,326,707	3,259,209	33,927,043	7,327,516
Total General Fund	<u>\$76,800,721</u>	<u>\$95,328,888</u>	<u>\$98,050,496</u>	<u>\$123,573,198</u>	<u>\$108,259,004</u>	<u>\$103,682,397</u>	<u>\$121,511,457</u>	<u>\$ 90,197,056</u>

Notes:

Accounting standards requires that ten years of trend information be presented.

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Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

REVENUE CAPACITY  
COLLECTIBLE LOAN BALANCES  
Last Eight Fiscal Years

(continued)

Program	Loan Balance 2012	Interest Rate 2012	Loan Balance 2013	Interest Rate 2013	Loan Balance 2014	Interest Rate 2014	Loan Balance 2015	Interest Rate 2015
Technology business development investments	\$12,065,512	2.6%	\$16,106,002	3.8%	\$ 17,348,908	4.1%	\$18,347,227	4.1%
Business expansion and retention investment	6,596,272	2.0%	10,712,994	2.0%	12,151,861	2.0%	10,574,580	2.0%
Business development loan	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Business opportunity loan fund	-	0.0%	-	0.0%	5,273,126	2.7%	13,585,556	2.4%
Wisconsin energy independence fund	1,672,737	2.0%	1,537,989	2.0%	396,445	2.0%	228,388	2.0%
Special project fund	-	-	-	-	-	-	500,000	5.0%
Commerce - other	16,350,610	2.3%	9,713,231	2.4%	5,357,039	2.5%	4,103,610	2.2%
Total Balance	<u>\$36,685,132</u>		<u>\$38,070,216</u>		<u>\$ 40,527,379</u>		<u>\$47,339,362</u>	

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

REVENUE CAPACITY  
COLLECTIBLE LOAN BALANCES  
Last Eight Fiscal Years

(concluded)

Program	Loan Balance 2016	Interest Rate 2016	Loan Balance 2017	Interest Rate 2017	Loan Balance 2018	Interest Rate 2018	Loan Balance 2019	Interest Rate 2019
Technology business development investments	\$ 18,461,990	4.4%	\$ 18,532,149	4.7%	\$ 18,159,925	5.1%	\$ 16,438,944	5.1%
Business expansion and retention investment	6,364,011	2.0%	5,401,631	2.0%	5,285,425	2.0%	2,098,357	2.0%
Business development loan	-	0.0%	-	0.0%	-	0.0%	415,849	4.8%
Business opportunity loan fund	21,857,415	2.4%	23,277,014	2.4%	17,882,236	2.4%	13,845,929	2.1%
Wisconsin energy independence fund	190,334	2.0%	182,189	2.0%	174,631	2.0%	160,260	2.0%
Special project fund	786,793	5.0%	752,119	5.0%	529,978	5.0%	529,877	5.0%
Commerce - other	2,242,740	2.2%	1,378,590	2.2%	532,907	2.2%	406,182	1.4%
Total Balance	<u>\$ 49,903,283</u>		<u>\$ 49,523,692</u>		<u>\$ 42,565,102</u>		<u>\$ 33,895,398</u>	

Notes:

Accounting standards requires that ten years of trend information be presented.

WEDC has only been in operation since June, 2011 (fiscal year 2012), only those years are presented.

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>



# **WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

## REVENUE CAPACITY TEN LARGEST LOANS Seven Years ago and Current Year

Collectible Loan	Rank	Loan Balance 2012	Percent of Total	Rank	Loan Balance 2019	Percent of Total
SHINE Medical Technologies, Inc.	-	-	-	1	\$ 4,000,000	11.8%
Menasha Corporation	-	-	-	2	2,531,069	7.5%
Trilliant Food & Nutrition, LLC	-	-	-	3	1,496,950	4.4%
Russ Davis Wholesale	-	-	-	4	1,203,876	3.6%
Exodus Machines Incorporated	-	-	-	5	924,045	2.7%
Expera Specialty Solutions, LLC	-	-	-	6	851,417	2.5%
Forward Health Group, Inc.	-	-	-	7	750,000	2.2%
Fi-Med Management, Inc.	-	-	-	8	691,751	2.0%
Ritalka, Inc.	-	-	-	9	680,047	2.0%
Pegex, Inc.	-	-	-	10	625,000	1.8%
Kestrel Aircraft Company	1	\$ 2,000,000	5.5%	-	-	-
Flambeau River Biofuels Financial Group, Inc.	2	2,000,000	5.5%	-	-	-
J.L. French, LLC	3	1,386,133	3.8%	-	-	-
Green Box NA Green Bay, LLC	4	1,116,000	3.0%	-	-	-
Flambeau River Biofuels Financial Group, Inc.	5	1,000,000	2.7%	-	-	-
Milwaukee Forge, LLC	6	871,627	2.4%	-	-	-
Flambeau River Papers, LLC	7	727,350	2.0%	-	-	-
Prolitec Inc.	8	650,890	1.8%	-	-	-
Flambeau River Papers, LLC	9	624,355	1.7%	-	-	-
Flambeau River Papers, LLC	10	624,321	1.7%	-	-	-
		<u>11,000,677</u>	<u>30.0%</u>		<u>13,754,155</u>	<u>40.6%</u>
Total Loans Outstanding		<u>\$ 36,685,132</u>			<u>\$33,895,398</u>	

### Notes:

Accounting standards requires that ten years of trend information be presented.

WEDC has only been in operation since June, 2011 (fiscal year 2012), only current year and seven years ago is presented.

### Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## DEBT CAPACITY RATIOS OF OUTSTANDING DEBT Last Eight Fiscal Years

Year	Capital Lease	Note Payable	Total Debt	Personal Income* (in millions)	% of Personal Income	Population (in thousands)	Debt per Capita
(Restated)							
2012	\$174,075	\$1,111,475	\$1,285,550	\$ 232,664	0%	5,709	0.2252
2013	108,649	1,510,326	1,618,975	243,576	0%	5,726	0.2827
2014	31,900	1,850,356	1,882,256	245,382	0%	5,743	0.3277
2015	-	2,102,329	2,102,329	255,753	0%	5,758	0.3651
2016	-	2,630,967	2,630,967	264,988	0%	5,768	0.4561
2017	-	2,134,044	2,134,044	273,189	0%	5,779	0.3693
2018	-	1,945,360	1,945,360	274,729	0%	5,792	0.3359
2019	-	2,269,701	2,269,701	295,073	0%	5,814	0.3904

### Notes:

\* Personal income and population data used is for the calendar year ending during the fiscal year.  
For example, calendar year 2011 is used for the fiscal year 2012 spanning 7/1/2011 - 6/30/2012.

Accounting standards requires that ten years of trend information be presented.

Since WEDC has only been in operation for eight years, only those years are presented.

### Sources:

2011-2017 Wisconsin Department of Workforce Development

<http://worknet.wisconsin.gov/worknet/daincome.aspx?menuselection=da>

2018-2019 U.S. Bureau of Economic Analysis

[https://apps.bea.gov/iTable/index\\_regional.cfm](https://apps.bea.gov/iTable/index_regional.cfm)

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## DEMOGRAPHIC AND ECONOMIC INFORMATION PERSONAL INCOME STATISTICS Last Nine Calendar Years

Calendar Year	Population		Personal Income		Per Capita			
	Wisconsin (in thousands)	U.S. (in thousands)	Wisconsin (in millions)	U.S. (in millions)	Wisconsin	U.S.	Wisconsin % Change	U.S. % Change
(Restated)								
2011	5,709	311,663	\$ 232,664	\$13,233,436	\$ 40,749	\$42,461	5.1%	5.7%
2012	5,726	313,998	243,576	13,904,485	42,537	44,282	4.4%	4.3%
2013	5,743	316,205	245,382	14,068,960	42,728	44,493	0.4%	0.5%
2014	5,758	318,563	255,753	14,801,624	44,414	46,464	3.9%	4.4%
2015	5,768	320,897	264,988	15,463,981	45,942	48,190	3.4%	3.7%
2016	5,779	323,128	273,189	16,017,781	47,275	49,571	2.9%	2.9%
2017	5,792	325,417	274,729	16,326,942	47,430	50,172	0.3%	1.2%
2018	5,813	327,167	295,073	17,572,929	50,756	53,712	7.0%	7.1%
2019	-	-	-	not available	-	-	-	-

### Notes:

GASB Statement No. 44 requires that ten years of trend information be presented.

Since WEDC has only been in operation for eight years, only those years are presented.

### Sources:

2011-2016 Wisconsin Department of Workforce Development

<http://worknet.wisconsin.gov/worknet/daincome.aspx?menuselection=da>

2017-2018 U.S. Bureau of Economic Analysis

[https://apps.bea.gov/iTable/index\\_regional.cfm](https://apps.bea.gov/iTable/index_regional.cfm)

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## DEMOGRAPHIC AND ECONOMIC INFORMATION EMPLOYMENT STATISTICS Last Eight Fiscal Years

Employment (In Thousands Except Unemployment Rates Data)					
Year	Civilian Labor Force	Total Employed	Total Unemployed	Wisconsin Unemployed Rate	U.S. Unemployed Rate
(Restated)					
2012	3,074	2,857	217	7.0%	8.1%
2013	3,083	2,875	208	6.7%	7.4%
2014	3,085	2,918	167	5.4%	6.2%
2015	3,095	2,954	141	4.6%	5.3%
2016	3,120	2,991	129	4.1%	4.9%
2017	3,152	3,048	104	3.3%	4.4%
2018	3,133	3,039	94	3.0%	3.9%
2019	-	-	Not Available	-	-

### Notes:

GASB Statement No. 44 requires that ten years of trend information be presented.

Since WEDC has only been in operation for eight years, only those years are presented.

### Sources:

2011-2016 Wisconsin Department of Workforce Development

<http://worknet.wisconsin.gov/worknet/daincome.aspx?menuselection=da>

2017 U.S. Bureau of Economic Analysis

[https://apps.bea.gov/iTable/index\\_regional.cfm](https://apps.bea.gov/iTable/index_regional.cfm)

2018 - WI Job Center

<https://www.jobcenterofwisconsin.com/wisconomy/query>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

OPERATING INFORMATION  
EMPLOYEES BY FUNCTION/PROGRAM  
Last Eight Years

(continued)

Function/Program	2012		2013		2014		2015	
	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project
General Administration								
Legal services & compliance	7	1	4	-	6	1	5	2
Executive office	5	-	8	1	6	1	5	-
Human resources	3	-	2	-	4	-	4	-
Finance	5	-	4	-	6	-	8	-
Technology & information systems	5	1	4	-	5	1	6	-
Credit and risk	13	-	10	-	13	1	16	1
Process improvement	-	-	2	-	-	-	-	-
Office of public policy	3	-	4	-	3	-	3	-
Customer service	-	-	2	-	-	-	-	-
Economic Development								
Entrepreneurship and innovation and sector strategy development	5	-	4	-	5	-	4	-
Business & community development	23	1	19	-	22	-	21	-
Business and investment attraction	-	-	-	-	-	-	-	-
Sector strategy development	9	-	9	-	9	-	10	-
International business development	5	2	7	2	5	3	9	-
Operations & program performance	-	-	-	-	-	-	-	-
Marketing & brand strategy	7	-	5	-	8	-	9	-
Total Staff	90	5	84	4	92	7	100	3

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

OPERATING INFORMATION  
EMPLOYEES BY FUNCTION/PROGRAM  
Last Eight Years

(concluded)

Function/Program	2016		2017		2018		2019	
	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project
General Administration								
Legal services & compliance	9	2	11	3	8	2	10	1
Executive office	13	-	11	3	7	1	6	1
Human resources	5	-	5	-	5	-	6	-
Finance	5	-	5	-	5	-	5	-
Technology & information systems	7	-	6	1	7	1	8	-
Credit and risk	9	3	11	1	12	-	13	3
Process improvement	-	-	-	-	-	-	-	-
Office of public policy	5	1	5	1	5	2	5	1
Customer service	-	-	-	-	-	-	-	-
Economic Development								
Entrepreneurship and innovation and sector strategy development	5	-	5	-	4	-	11	-
Business & community development	20	-	20	-	20	-	20	-
Business and investment attraction	-	-	3	-	1	-	4	-
Sector strategy development	8	-	7	-	6	-	-	-
International business development	8	1	8	-	8	1	6	-
Operations & program performance	-	-	-	-	5	4	6	3
Marketing & brand strategy	8	-	9	-	9	-	9	-
Total Staff	102	7	106	9	102	11	109	9

Notes:

GASB Statement No. 44 requires that ten years of trend information be presented.

Since WEDC has only been in operation for eight years, only those years are presented.

Sources:

Wisconsin Economic Development Corporation

[www.inwisconsin.com](http://www.inwisconsin.com)

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION OPERATING INDICATORS BY FUNCTION Last Eight Years

(continued)

Program	2012	2013	2014	2015	2016	2017	2018	2019
<b>Business and Community Development</b>								
Bonding Authority								
Industrial Revenue Bonding	4	3	7	7	4	7	6	5
Midwestern Disaster Area Bond	25	15	-	-	-	-	-	-
Qualified Energy Conservation Bond	2	-	-	-	1	-	-	-
Grants								
Brownfield Grant Program	15	10	11	13	15	13	14	8
Business Expansion and Retention	2	2	-	-	-	-	-	-
Capacity Building	-	4	3	5	11	14	10	6
Community Development Investment	-	5	15	23	18	21	26	30
Disaster Recovery Microloan	-	-	-	-	-	-	-	6
Forward Innovation Fund	1	-	-	-	-	-	-	-
Idle Industrial Sites Redevelopment	-	-	6	4	-	9	5	5
Legislative Award	-	-	-	-	-	-	1	-
Minority Business Development	-	-	-	-	-	10	-	3
Regional Revolving Loan Fund Expansion	-	-	1	-	-	-	-	-
Site Assessment Grants	4	9	17	14	13	11	11	11
State Energy Programs	1	-	-	-	-	-	-	-
Workforce Training	6	6	4	2	1	2	2	3
Loan								
Business Retention and Expansion	21	18	9	-	-	-	-	-
Business Opportunity Loan Fund	-	-	10	17	12	9	-	-
Business Development Loan Program	-	-	-	-	-	-	1	1
Manufacturing Clean Energy Revolving Loan	-	-	-	-	1	-	-	-
Emergency Loan Guaranty for Certified	-	-	4	-	-	-	-	-
Propane Dealers								
Milk Volume Production (RED)	1	-	-	-	-	-	-	-
Special Project Loan Fund	-	-	-	2	1	1	-	-
State Energy Programs	3	-	-	-	-	-	-	-
Tax Credits								
Business Development Tax Credit	-	-	-	-	17	62	38	45
Development Opportunity Zones	6	-	4	1	2	-	-	-
Economic Development Tax Credits	74	82	64	52	32	-	-	-
Electronics and Information Technology	-	-	-	-	-	-	1	-
Manufacturing Zone								
Enterprise Zone	3	1	2	3	2	5	5	3
Historic Preservation Tax Credit	-	-	8	42	32	67	27	13
Historic Preservation Tax Credit - Qualified	-	-	2	6	2	-	-	-
Rehabilitation								
Jobs Tax Credit	11	8	16	25	17	-	-	-

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION OPERATING INDICATORS BY FUNCTION Last Eight Years

(concluded)

Program	2012	2013	2014	2015	2016	2017	2018	2019
<b>Sector Strategy Development</b>								
Grants								
Minority Business Development Revolving	-	2	4	2	4	-	-	-
Opportunity Research Project	1	1	3	-	-	-	-	-
Fabrication Laboratories	-	-	-	-	24	22	22	20
Targeted Industry Projects	2	2	12	11	8	12	13	13
<b>Entrepreneurship and Innovation</b>								
Grants								
Capital Catalyst	1	2	7	2	4	7	2	4
Capacity Building - E&I	-	-	-	-	-	11	11	9
Entrepreneurial Micro-Grant	-	1	1	1	1	1	1	1
Business Incubator	-	-	-	-	1	-	-	-
SBIR/STTR Matching Grant	-	-	-	1	1	1	1	1
Seed Accelerator	-	2	4	9	8	10	5	8
Technology Matching Grant	2	-	-	-	-	-	-	-
Loans								
Technology Development Loan	8	14	17	15	16	22	13	17
Investor Credits								
Qualified New Business Venture	29	45	26	25	40	41	54	41
Qualified Venture Fund Certification	5	5	5	7	6	9	9	9
<b>International Business Development</b>								
Grants								
Collaborative Market Access Grant	-	-	2	3	1	4	2	5
Export Development Grant	2	1	-	-	-	-	-	-
Export Education Grant	-	-	3	1	-	-	-	-
ExporTech	-	2	1	1	1	1	1	1
International Market Access Grant	23	30	48	57	57	66	58	45
Wisconsin Trade Project	3	-	-	-	-	-	-	-
Total Awards Contracted	<u>255</u>	<u>270</u>	<u>316</u>	<u>351</u>	<u>353</u>	<u>438</u>	<u>339</u>	<u>313</u>

### Notes:

Accounting standards requires that ten years of trend information be presented. WEDC has only been in operation since June, 2011 (fiscal year 2012), only those years are presented.

### Sources:

Wisconsin Economic Development Corporation

[www.inwisconsin.com](http://www.inwisconsin.com)



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION SCHEDULE OF CAPITAL ASSETS Last Eight Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019
Economic Development								
Vehicles	5	6	6	6	6	5	6	7
General Administration								
Leasehold improvements	-	2	4	4	4	4	4	6
Vehicles	1	2	2	2	2	3	2	2
Technology & Information Systems								
Computer software	-	1	5	5	5	4	5	4
Marketing & Brand Strategy								
Computer software	1	2	4	6	9	7	6	4
Furniture and fixtures	-	1	1	1	1	1	-	1
Total Capital Assets	<u>7</u>	<u>14</u>	<u>22</u>	<u>24</u>	<u>27</u>	<u>24</u>	<u>23</u>	<u>24</u>

### Notes:

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### Sources:

Wisconsin Economic Development Corporation

[www.inwisconsin.com](http://www.inwisconsin.com)



**WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION  
MADISON, WISCONSIN**

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**SINGLE AUDIT REPORT**

**For the Year Ended June 30, 2019**

**SIKICH.COM**

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
**TABLE OF CONTENTS**

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	<u>Page(s)</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1-2
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	3-5
Schedule of Expenditures of Federal Awards .....	6
Notes to the Schedules of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs .....	8-10

**INDEPENDENT AUDITOR'S 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***

Board of Directors  
Wisconsin Economic Development Corporation  
Madison, Wisconsin

We have audited, in accordance with the 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, the financial statements of the governmental activities and major fund of Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements, and have issued our report thereon dated October 28, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of WEDC's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WEDC's basic financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WEDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Brookfield, Wisconsin  
October 28, 2019

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Wisconsin Economic Development Corporation  
Madison, Wisconsin

**Report on Compliance for Each Major Federal Program**

We have audited Wisconsin Economic Development Corporation's (WEDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WEDC's major federal programs for the year ended June 30, 2019. WEDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of WEDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WEDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of WEDC's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, WEDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs, for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of WEDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WEDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WEDC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities and major fund of Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise WEDC's basic financial statements. We have issued our report thereon dated October 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Sikich LLP*

Brookfield, Wisconsin  
October 28, 2019



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2019

<b>Agency / Pass through Agency / Federal Program Title / Local Program Title</b>	<b>CFDA #</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b><u>US Department of Defense - Office of Economic Adjustment</u></b>			
State of Wisconsin (DIA) - Economic Adjustment Assistance	12.617*	\$ 1,115,822	\$ 1,056,745
<b><u>Small Business Administration</u></b>			
State Trade Expansion Program			
STEP 2017	59.061	197,023	-
STEP 2018	59.061	195,914	-
		<hr/>	<hr/>
Total State Trade Expansion Program		392,937	-
		<hr/>	<hr/>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 1,508,759</b>	<b>\$ 1,056,745</b>
		<hr/>	<hr/>

\* Denotes Major Federal Program

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

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### **Note 1 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal award activity of WEDC. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of WEDC it is not intended to, and does not, present the financial position, changes in net position, or cash flows of WEDC. The reporting entity for WEDC is based upon criteria established by the Governmental Accounting Standards Board.

### **Note 2 - Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3 - Subrecipients**

Of the federal expenditures presented in this schedule, WEDC provided federal awards to subrecipients from the DOD Grant program (CFDA #12.617) in the amount of \$1,056,745.

### **Note 4 - Other Information**

WEDC did not receive or provide any federal insurance, free rent, or noncash assistance during the year ended June 30, 2019.

### **Note 5 - 10% De Minimis Indirect Cost Rate**

WEDC has elected to use the 10% de minimis indirect cost rate as permitted by 2 CFR Section 200.414.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:

*Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      X   no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for  
major federal programs:

*Unmodified*

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR §200.516(a)?

\_\_\_\_\_ yes      X   no

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

12.617

Economic Adjustment Assistance for State Governments

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_\_\_ no

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2019

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**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Section IV - Status of Prior Year Findings**

None.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2019

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**Section V - Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as the auditee's ability to continue as a going concern? No

Does the auditor's report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, significant deficiencies, management letter comments, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines? No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

Name and Signature of Partner

Daniel A. Berg  


Date of Report

October 28, 2019