

Open Meetings Notice

The meeting of the Board of Directors for the Wisconsin Economic Development Corporation will be held on November 20, 2018 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.

Agenda

Wisconsin Economic Development Corporation Meeting of the Board of Directors

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

November 20, 2018

1:00-4:00 pm

- 1) Call to Order and Roll Call
- 2) Approval of Minutes from July 11, 2018, August 27, 2018, September 18, 2018, September 26, 2018 and October 25, 2018 Meetings.
- 3) Manufacturing Ready in Wisconsin Presentation
- 4) Chair Report
- 5) CEO Report
 - a) Credit and Risk Quarterly Report
 - b) WEDC in the News- *Mark Maley*
- 6) COO Report
- 7) CFO Report
 - a) Quarterly Financials
- 8) Review and Vote on Submission of Programmatic Report under Wis. Stat. § 238.07(1)
- 9) Committee Reports
 - a) Audit Committee
 - (1) Audit of Annual Performance Measurement of WEDC Awards
 - (i) Introduction by CFO
 - (ii) Presentation and Communication by Clinton Larson Allen

- (iii) Review and Vote on Recommendation to the Board regarding Audit of Annual Performance Measurement for WEDC Awards
- (2) Year End Comprehensive Annual Financial Report (CAFR)
 - (i) Introduction by CFO
 - (ii) Presentation of the CAFR and Auditor's Communication by Sikich
 - (iii) Closed Session

Under Wis. Stat. § 19.85(1)(c), a closed session is authorized to discuss specific personnel matters. The Board plans to return to open session following the closed session, as outlined in the agenda.

- (iv) Review and Vote on Recommendation to the Board regarding Comprehensive Annual Financial Report and Auditor's Communication

b) Budget and Finance Committee

c) Awards Administration Committee

- (1) Closed Session

Per 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 Committee will be meeting in closed session to review pending economic development projects. The Committee will open the meeting again at the end of the closed session.

10) Adjournment



WEDC BOARD MEETING MINUTES BOARD OF DIRECTORS MEETING

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

**July 11th, 2018
1:00 - 4:00 P.M.**

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

BOARD MEMBERS PRESENT:

- Lisa Mauer, Rickert Industries (Chair)
- Senator Caleb Frostman
- David Drury, WING Capital Group
- Senator Dan Feyen
- Randy Hopper, Mountain Dog Media
- Secretary Rick Chandler, Department of Revenue

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Nancy Hernandez, ABRAZO (Depart at 2:30 PM)
- Ray Dreger, Seeds 'N Stuff Farm Market, Inc.
- Representative Dana Wachs
- Jim Ladwig, SC Johnson

BOARD MEMBERS EXCUSED:

- Secretary Ellen Nowak, Department of Administration
- Representative Rob Hutton

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CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 1:00 p.m.

CHAIR REPORT

Lisa Mauer acknowledged State Senator Tim Carpenter and R.D. Nair for their time served on the WEDC board. The Chair then introduced and welcomed State Senator Caleb Frostman and Randy Hopper to the WEDC Board.

VOTE TO APPROVE RESOLUTION ON ELECTION OF OFFICERS

Lisa Mauer requested a motion to approve the Resolution on Election of Officers with Lisa Mauer as Chair, Nancy Hernandez to remain Vice Chair, Nancy Hernandez to remain Secretary, and David Drury to remain as Treasurer. Motion was made by Senator Dan Feyen with a second by Ray Dreger. The motion to approve the Resolution on Election of Officers was passed unanimously.

VOTE TO APPROVE MINUTES

Lisa Mauer requested a motion to approve the minutes from the April 26, May 22, and June 28, 2018 meetings. Motion was made by David Drury with a second by Senator Dan Feyen. The motion to approve the minutes was passed unanimously, with Senator Caleb Frostman abstaining.

BOARD ETHICS PRESENTATION

A presentation by CLO Jennifer Jin was made regarding board compliance, and ethics training. Jennifer Jin emphasized WEDC's standards in statutes and policies regarding the ethics code and compliance by board members. This included regulations regarding Statements of Economic Interest, Conflicts of Interest, Open Meeting Laws, and Public Records Law.

CEO REPORT

A presentation by Secretary and CEO Mark R. Hogan was made regarding Credit and Risk Quarterly Reports. Mark Hogan discussed historical trends on both loan principal and loan payment delinquencies. Mark Hogan highlighted the decision to charge off two loans in the current quarter and that eight borrowers make up around 40 percent of all current past dues.

Following the report summary, there was a presentation by Public Affairs and Communications Director Mark Maley regarding WEDC in the News. Mark Maley's presentation highlighted the work WEDC has been doing out in the community, including top stories appearing in local newspapers and T.V. stations statewide.

COO REPORT

A presentation was made by COO Tricia Braun. Tricia Braun enlightened the board on a recent trip to Germany, which included the International Business Development Team along with six Wisconsin companies. The companies themselves had meetings in the Dusseldorf area and Stuttgart. Meetings were also held in Berlin to meet with the Global Water Partnership and Luxembourg to discuss how their values aligned with Wisconsin. Regionally, Tricia Braun discussed the warm reception of Main Street Days within eight communities across the state.

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CFO REPORT

A presentation by CFO Brian Nowicki was made regarding Quarterly Financials. Brian Nowicki elaborated on the Quarterly Financial summaries. He described the seasonality of business at WEDC, pointing to the increase in awards during the last quarter. Out of roughly 360 awards that were contracted this fiscal year, 47% of those awards were contracted within the last 3 months.

VOTE ON FY18 BUDGET AMENDMENT AND FY19 BUDGET & OPERATIONS PLAN

CFO Brian Nowicki presented regarding the FY19 Budget & Operations Plan and the FY18 Budget Amendment. The FY18 Budget Amendment recognizes the full \$6.8 million for the Talent Attraction and Retention Initiative passed by the Legislature in the Spring of 2018. There was a discussion surrounding how Wisconsin compared to other states regarding talent attraction marketing spending. COO Tricia Braun explained each state's spending isn't necessarily comparable, as states can be funded by different sources and in different ways. Following this presentation, Senior Director of Public Policy Amy Young presented on the FY19 Program Guidelines, highlighting changes from FY18 Program Guidelines, including the Business Development Loan Program providing support for rural areas and community development programs which have seen an increase in funding. Amy Young also introduced a new Disaster Recovery Microloan Program, which will be unfunded in FY19 but available to implement in response to natural disasters.

Lisa Mauer requested a motion to approve the Resolution accepting the Fiscal Year 2019 Budget and Operations Plan and Third Resolution Amending the Fiscal Year 2018 Budget ("Resolution"). Motion was made by David Drury with a second by Senator Dan Feyen. The motion to approve the Resolution was passed unanimously.

ANNUAL COMPLIANCE PLAN PRESENTATION

A presentation was made by CLO Jenn Jin on the FY18 and FY19 Annual Compliance Plans, which included discussion of WEDC's progress as it relates to Compliance and Oversight, Education and Training, Monitoring and Auditing, and Reporting, Investigating, and Outcomes. Lisa Mauer requested a motion to approve the FY19 Annual Compliance Plan. Motion was made by Raymond Dreger with a second by David Drury. The motion to approve the FY19 Annual Compliance Plan was unanimous.

COMMITTEE REPORTS

Lisa Mauer announced the appointment of Dave Drury as Chair of the Audit Committee and Nancy Hernandez as Chair of the Budget & Finance Committee.

Representative Dana Wachs and Randy Hopper have been appointed to the Audit Committee and Senator Caleb Frostman has been appointed to the Budget & Finance Committee.

Budget & Finance Committee

The Board was provided a summary of the June 29, 2018 Budget & Finance Committee meeting.

Awards Administration Committee Report

The Board was provided a summary of the May 21, 2018 and June 27, 2018 Awards Administration Committee meeting.

Audit Committee Report

The Board was provided a summary of the June 28, 2018 Audit Committee meeting.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session. Motion was made by Senator Dan Feyen with a second by Senator Caleb Frostman.

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 2:42 p.m.

ADJOURNMENT

Lisa Mauer adjourned the meeting at 2:43 p.m.



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

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

**August 27, 2018
1:00 - 2:00 P.M.**

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

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Lisa Mauer, Rickert Industries (Chair)
- Nancy Hernandez, ABRAZO, LLC
- Raymond Dreger, Seeds 'N Stuff Farm Market, Inc.
- Representative Rob Hutton
- Senator Caleb Frostman
- Senator Dan Feyen
- David Drury, WING Capital Group
- Jim Ladwig, SC Johnson
- Randy Hopper, Mountain Dog Media

BOARD MEMBERS EXCUSED:

- Representative Dana Wachs
- Secretary Rick Chandler, Department of Revenue
- Secretary Ellen Nowak, Department of Administration

201 W. Washington Avenue
Madison, WI 53703

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CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 1:02 p.m.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session. Motion was made by David Drury with a second by Raymond Dreger.

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 1:17 p.m. Lisa Mauer reminded the WEDC Board members of the upcoming Board scheduled for September 26, 2018.

ADJOURNMENT

Lisa Mauer adjourned the meeting at 1:18 p.m.

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

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

**September 18, 2018
9:30 - 10:00 A.M.**

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

BOARD MEMBERS PRESENT IN PERSON:

- Lisa Mauer, Rickert Industries (Chair)

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Nancy Hernandez, ABRAZO, LLC
- Raymond Dreger, Seeds 'N Stuff Farm Market, Inc.
- Senator Caleb Frostman
- Senator Dan Feyen
- Jim Ladwig, SC Johnson
- Randy Hopper, Mountain Dog Media
- Representative Dana Wachs
- Secretary Rick Chandler, Department of Revenue
- Secretary Ellen Nowak, Department of Administration

BOARD MEMBERS EXCUSED:

- David Drury, WING Capital Group
- Representative Rob Hutton

CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 9:33 a.m.

This was a joint meeting between the Awards Administration Committee and the WEDC Board of Directors. WEDC Board Chair Lisa Mauer addressed both the Awards Administration Committee and the Board of Directors explaining the reason for a joint meeting. This was due to the desire to get the Disaster Recovery Microloan Grant Program (DRM) funds deployed quickly to address the urgency and need from flooding disasters across the state of Wisconsin. After a brief explanation of the order of business for both the Committee and the Board, AAC Chair Ray Dreger moved forward with the AAC Teleconference.

REVIEW AND VOTE ON DISASTER RECOVERY MICROLOAN GRANT PROGRAM

COO Tricia Braun presented the Program Guidelines for the Disaster Recovery Microloan Grant Program to the AAC. Proposed changes include an increase in the maximum loan amount from \$10,000 to \$15,000 and allowing for up to \$5,000 for the reimbursement of Statement of Expenditures (SOE's). Tricia informed the Committee that eight out of nine regional partners have submitted their applications to WEDC and three of the eight are working on funding requests.

Ray Dreger requested a motion from the AAC to approve the Program Guidelines. A motion was made to move to a roll call vote. Motion was made by John Reinke with a second from Randy Hulke.

Erika Julsrud administered the roll call vote to the AAC. Stating each name individually, the roll call vote was administered to Ray Dreger, Jim Ladwig, John Reinke, Randy Hulke, Tricia Braun, and Brian Nowicki. The roll call vote to approve the Program Guidelines were approved unanimously.

At this point, the AAC business was complete. WEDC Chair Lisa Mauer addressed the non-board committee members and explained that they were free to leave the meeting but were welcome to stay and observe the business of the Board.

REVIEW AND VOTE ON THE BUDGET RESOLUTION FOR THE DISASTER RECOVERY MICROLOAN GRANT PROGRAM

COO Brian Nowicki presented the Budget Amendment for the Disaster Recovery Microloan Grant Program to the Board. The change in Program Grants for FY19 was revised from \$25.372 Million to \$27.372 Million. This represents an increase of \$2.0 Million in additional program grants to the Business and Community Development (BCD) division to provide funding for the Disaster Recovery Microloan Program (DRM).

Lisa Mauer requested a motion to approve the Budget Resolution. A motion was made by Nancy Hernandez with a second by Representative Dana Wachs. The motion to approve the resolution was passed unanimously.

CURRENT DRM PIPELINE AND APPROVAL PROCESS

CLO Jennifer Jin presented the approval process for the DRM program which is structured as a two-part process: a designation and a grant.

The first step is to receive a designation from WEDC as an approved regional entity authorized to deploy rapid-response microloans to businesses affected by disasters under WEDC's Disaster Recovery Microloan Program.

The second step occurs after a disaster occurs and requires the pre-approved designated entity to request an allocation of funding to make microloans to business impacted by the qualifying disaster in their respective regions.

The Board was informed that to expedite rapid deployment of funds after qualifying disaster events, that DRM grants may be authorized under the Delegated Authority provision in the WEDC COEC in which the CEO may, under urgent circumstances, with the approval of the CFO and AAC Chair approve the award without prior approval of the AAC or the Board of Directors so long as there is no exception to the mandatory requirements of the relevant program guidelines.

ADJOURNMENT

Lisa Mauer requested a motion to adjourn the meeting. A motion was made by Ray Dreger with a second by Nancy Hernandez. The teleconference of the Board of Directors was adjourned at 9:58 a.m.

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

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

**September 26, 2018
10:00 - 10:30 A.M.**

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

BOARD MEMBERS PRESENT IN PERSON:

- Senator Dan Feyen

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Lisa Mauer, Rickert Industries (Chair)
- Nancy Hernandez, ABRAZO, LLC
- Raymond Dreger, Seeds 'N Stuff Farm Market, Inc.
- Senator Caleb Frostman
- Jim Ladwig, SC Johnson (arrived at 10:14 AM)
- Randy Hopper, Mountain Dog Media
- David Drury, WING Capital Group
- Secretary Ellen Nowak, Department of Administration

BOARD MEMBERS EXCUSED:

- Representative Rob Hutton
- Representative Dana Wachs
- Secretary Rick Chandler, Department of Revenue

CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 10:03 a.m.

ARED PRESENTATION

Amy Young presented Wisconsin's Annual Report on Economic Development to the Board. ARED is updated quarterly but is submitted on an annual basis. Amy noted that the agreement between the State of Wisconsin and Foxconn had a significant effect on the key performance indicators of financial leverage and jobs impacted in FY18. In FY18, WEDC and its key strategic partners provided financial and operational assistance to 4,072 businesses and 134 communities. WEDC's total capital investment for the year's program activities is measured at \$12.5 billion. The total jobs impacted within this report is 30,827, a number which exceeds the initial goal.

Peter Norman then presented ARED to the Board via the WEDC website. Peter ran the Board through online portions of ARED. Peter showed the Board how one can access the impact map, searchable electronic database, and spreadsheets through the WEDC website. The impact map charts activity of awards within the entire state of Wisconsin. One can create a PDF summary report on a specific region or a specific award. Within searchable data, one can search active, final, and archived records of WEDC awards. Peter explained to the Board that the update on the website which includes moving files to the archived list will begin October 1st. This website database of an impact map, searchable electronic database, and spreadsheets for people to utilize demonstrates WEDC's dedication to access and transparency for the public.

Lisa Mauer requested a motion to approve the ARED report. A motion was made by Nancy Hernandez with a second by Ray Dreger. The motion to approve the report was passed unanimously.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session. Motion was made by Senator Feyen with a second by Nancy Hernandez.

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 10:57 a.m.

ADJOURNMENT

Lisa Mauer adjourned the meeting at 10:57 a.m.

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

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

**October 25, 2018
10:00 - 11:00 A.M.**

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

BOARD MEMBERS PRESENT VIA TELECONFERENCE:

- Lisa Mauer, Rickert Industries (Chair)
- Nancy Hernandez, ABRAZO, LLC
- Raymond Dreger, Seeds 'N Stuff Farm Market, Inc.
- Senator Caleb Frostman (Arrive 10:22 a.m.)
- Senator Dan Feyen
- Randy Hopper, Mountain Dog Media
- David Drury, WING Capital Group
- Representative Dana Wachs (Arrive 10:22 a.m.)
- Secretary Ellen Nowak, Department of Administration
- Secretary Rick Chandler, Department of Revenue

BOARD MEMBERS EXCUSED

- Representative Rob Hutton
- Jim Ladwig, SC Johnson

CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 10:22 a.m.

Notice to the Board was given on the use of Delegated Authority (DA) on three Staff Reviews that were included in the materials for the meeting. The three DA awards include two Disaster Recovery Microloan awards as well as the WCMP ExportTech award that was approved using DA at the last AAC meeting due to quorum. These awards are simply notices pursuant to the DA policy and no vote was necessary for any of these awards. The summary reports of the exercise of this authority and award approval was submitted to the Board no later than thirty (30) days after the CEO's exercise of authority.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session. Motion was made by Ray Dreger with a second by Nancy Hernandez.

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 10:32 a.m.

ADJOURNMENT

Lisa Mauer adjourned the meeting at 10:33 a.m.

MANUFACTURING READY IN WISCONSIN



REVIEW

- Supplier Readiness Update
- Productivity and I4.0 Update
- Opportunities

SUPPLIER READINES UPDATE

- Established **Supply Chain Workgroup**
 - Cross-section of partners (academic, regional, industry) and business (Foxconn, Rockwell, Lindquist)
- Conducted **display manufacturing tutorial** to scope opportunity for Wisconsin-based suppliers
- Finalized roadmap for **Wisconsin Supply Chain Marketplace** enhancement and transition

SUPPLIER READINES UPDATE

- **Completed Supplier Readiness Workshops**
 - **9 sessions:** Sturtevant, Milwaukee (2), Waukesha, Green Bay, Superior, Menomonie, Madison, Platteville
 - **Over 700+ attendees: manufacturers, contractors and partners**
- **Key Objectives:**
 - Share **Foxconn supplier** evaluation process and criteria
 - Review **emerging I4.0+ trends** impacting manufacturers and identify needs
 - Introduce manufacturers to **state resources:** TPI, Cybersecurity, CSI, etc.



CONVERSATIONS

- Supplier Readiness Sessions
- Ongoing partner promotion
- Foxconn related events
- Digital communications
- Other direct/indirect channels



SUPPLY CHAIN MARKETPLACE



OEM VENDOR EVALUATION



MANUFACTURING RESOURCES

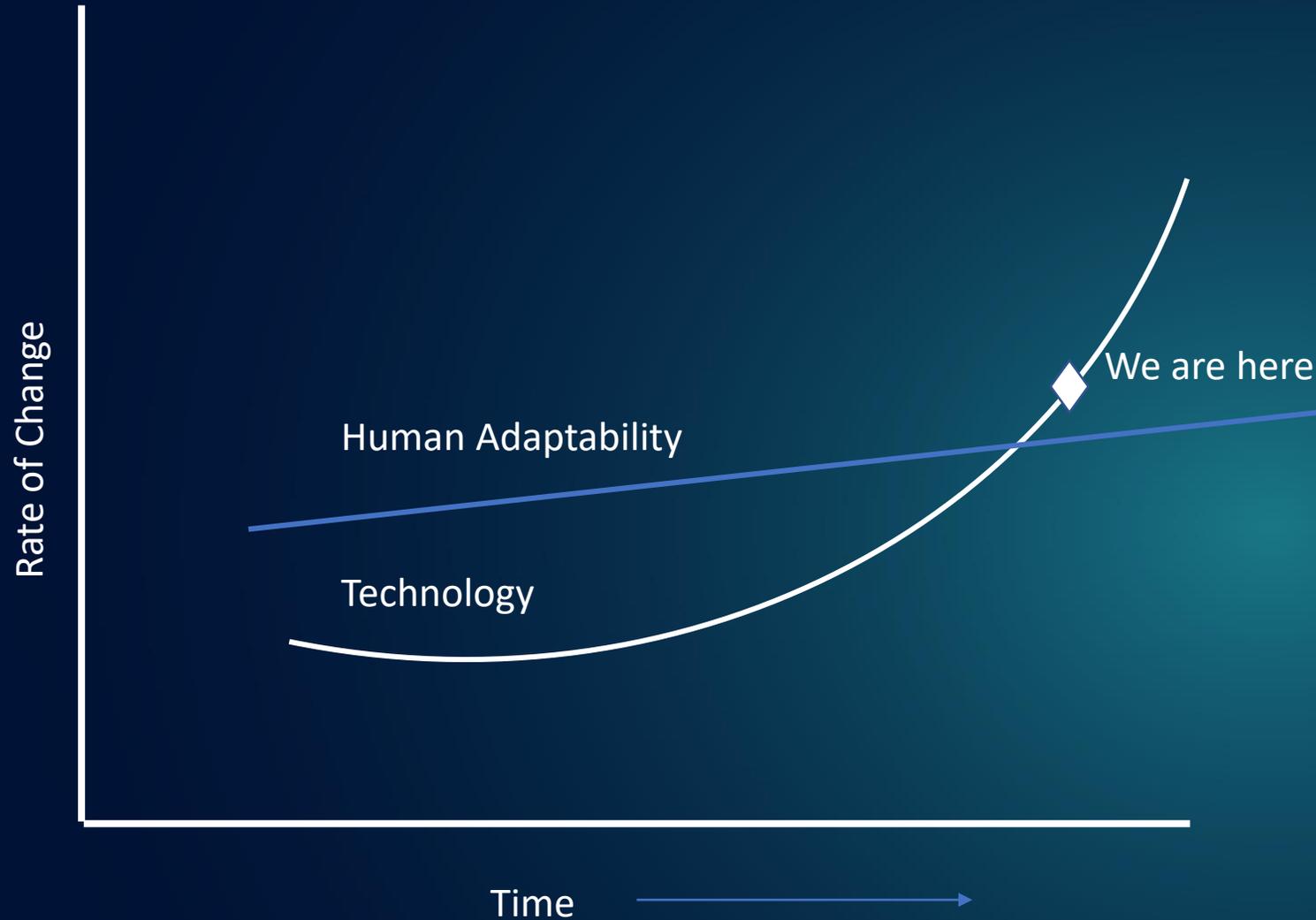


OEM ECOSYSTEM

TPI



CURRENT AND RELEVANT



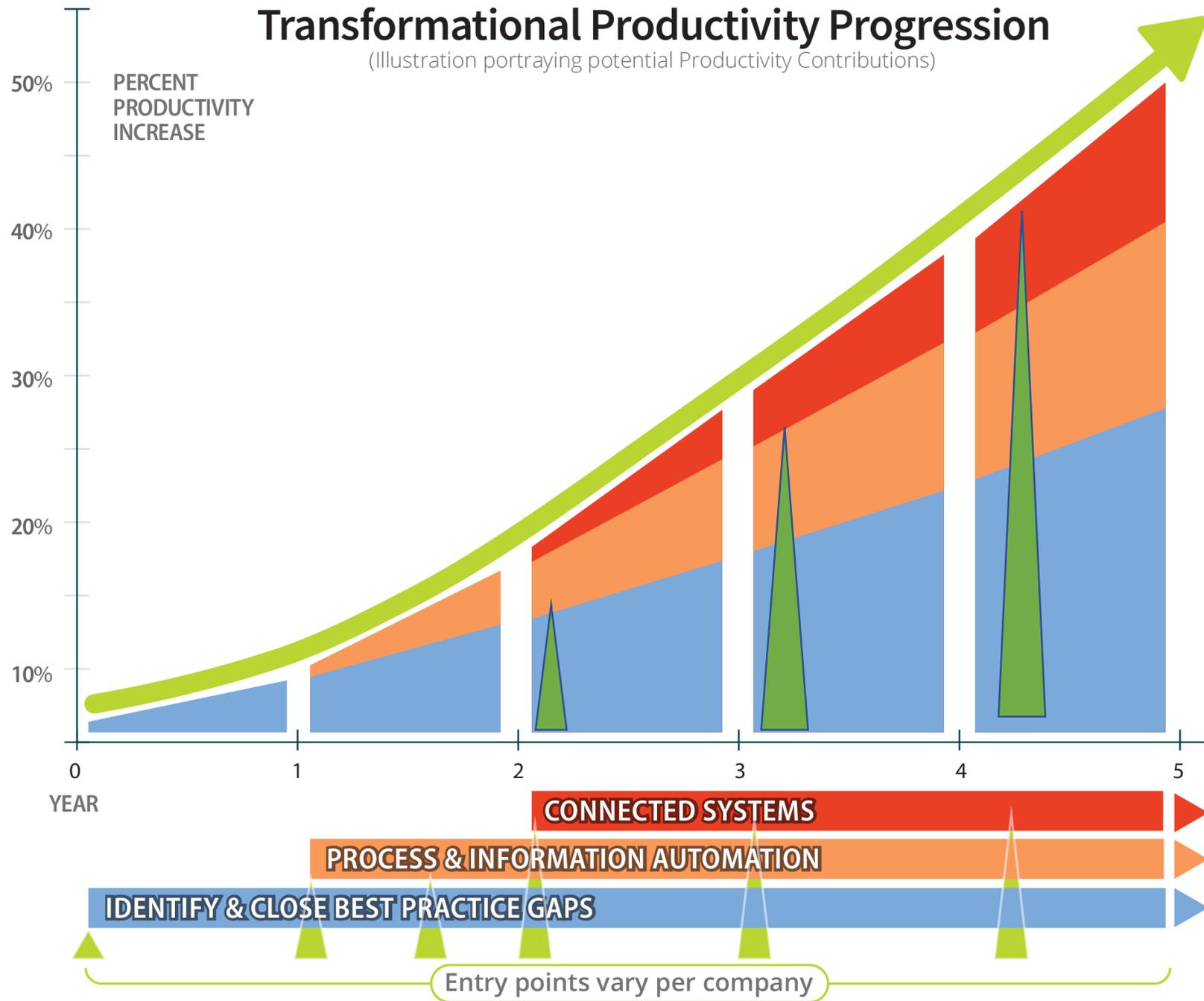
TRANSFORMATIONAL PRODUCTIVITY INITIATIVE

GOAL
30%



Transformational Productivity Progression

(Illustration portraying potential Productivity Contributions)



NEXT STEPS

- Rollout and scale **TPI**
- Develop additional entry points for **I4.0+ Readiness**
- Launch statewide **Supply Chain Resource Center** and Wisconsin Supply Chain Marketplace V2.0
- Standardize process for attraction project **Wisconsin onboarding**

MEMO



To: WEDC Board of Directors
From: Mark R. Hogan, Secretary & CEO
Date: November 13, 2018
Re: Credit and Risk Quarterly Report

MRH

This memo provides general comments about the credit and risk reports as of September 30, 2018 which will be discussed as part of my CEO Report during our November 20, 2018 board meeting. Comments in this section are meant to be general in nature. Due to potential or existing litigation, questions about the status of specific Loans Past Due > 90 Days can be addressed in the board's closed session.

- There are 24 individual borrowers on the past due report, compared to 26 and 27 in 3Q18 and 4Q18, respectively. In the current quarter, there were two new past due loans (total of \$652,000) compared to five (\$1,075,000) that were removed.
- Past due loans of approximately \$9.6mm (17.8% of total loans) compare to \$10.0mm (18.5%) at June 30, 2018. The \$478,000 reduction is primarily due to the difference in the new vs removed loans mentioned in the first bullet point.
- One borrower (OneEvent Technologies) with two loans accounted for \$453,000 of the new past due loans. This is a Technology Development Loan that is being considered for an amendment.
- Kestrel Aviation's two loans totaling \$3.4mm and the remaining \$1.0mm due from Appleton Coated represent 46% of the total past due amount.
- Loss reserves of \$8.1mm (85% of past dues) have been established on all of the past due loans.
- Five of the 24 borrowers' loans on the past due list (a total of \$1.14mm, or 12.0% of the total past due amount) were contracted for after May 2015.
- Nine individual borrowers (including Kestrel and Appleton Coated) representing \$6.2mm (65% of past due loans) have been referred to outside counsel for collection.
- There were no loans charged-off in the current quarter.
- We continue to review the portfolio for additional loss exposure and will adjust reserves and charge down loans following the practices we have implemented during the past 3+ years.
- There were two Performance-Based Loans totaling approximately \$824,000 forgiven in the current quarter.
- There were four Tax Credit Revocations totaling \$1.0mm in the current quarter, all of which have been referred to the Department of Revenue for processing.
- The number of past due reports for both the Overdue Performance Reports (from 125 to 65) Overdue Schedule of Expenditures (from 48 to 12) decreased significantly from the prior quarter. The elevated number of past due reports in 4Q2018 were primarily

due to seasonality. Staff continues to pursue the older past dues with default notices being sent as required by policy.

- The approval and contracting activity level decreased significantly during the current quarter as a concerted effort was undertaken to underwrite and contract outstanding applications prior to the fiscal year ending June 30, 2018. The current quarter's activity is consistent with the same period last year.

The following are updates on the largest past due loans:

Appleton Coated

- The company was sold by the court-appointed receiver in late September 2017 for approximately \$21.5 million to Industrial Assets Corp., a California-based equipment liquidator.
- Proceeds from the sale were used to pay PNC Bank's secured loans, existing real and personal property taxes, priority wage claims and administrative expenses. All of these creditors had a priority over WEDC's subordinated position.
- There are some additional assets the receiver is attempting to liquidate, but minimal funds are expected to be made available for further distribution.
- As a result, the \$1.0mm performance-based loan and \$2.0mm of the \$3.0mm were charged off in 4Q2018. We will continue to monitor the sale of the remaining assets and any proceeds received will be applied to the remaining \$1.0mm balance.

Kestrel Aircraft

- Kestrel and the related entities filed Chapter 11 on October 9, 2018 in Delaware. The bankruptcy action places a stay on all previous legal actions, including WEDC's collections action which was filed on July 29, 2018.
- The bankruptcy filing was "prepackaged" meaning the largest and most senior creditors had agreed to the plan prior to the company filing. WEDC is in a second tier of creditors who will receive a minimal amount should the bankruptcy be approved by the court.
- WEDC's counsel has filed the necessary documentation to preserve our position and there is a hearing scheduled for November 20, 2018 during which the court will consider the plan.
- These loans have been fully-reserved since July 2017.

Green Box

- On October 12, 2018, defendant Ronald Van Den Heuvel pleaded guilty and was convicted of Wire Fraud in a federal court. He will be sentenced on December 10, 2018.
- As a victim in that criminal case, WEDC has submitted a claim for restitution which included reference to the September 11, 2018 personal judgment against Mr. Van Den Heuvel in the amount of \$1,7mm.
- WEDC is in the process of referring this information to the Wisconsin Department of Revenue for collections under the Wisconsin State Debt Collection Initiative.
- WEDC remains a party in the original foreclosure action against the company and the Chapter 128 receiver action, which it will continue to passively monitor.

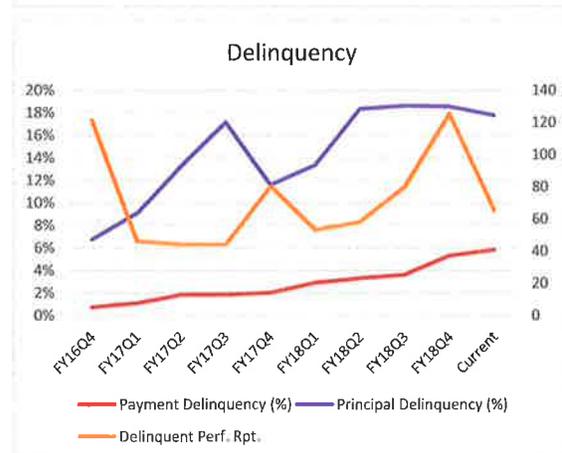
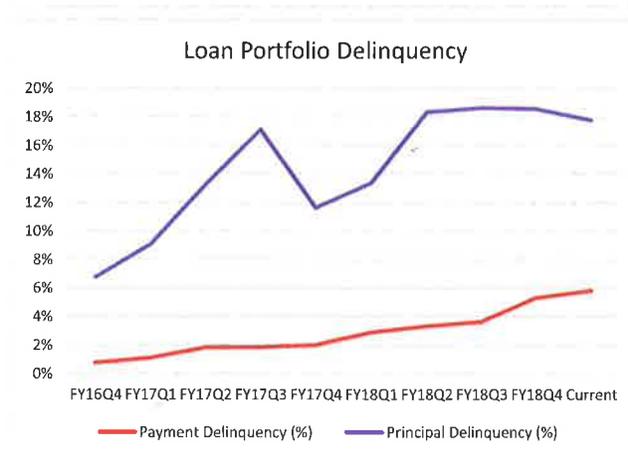
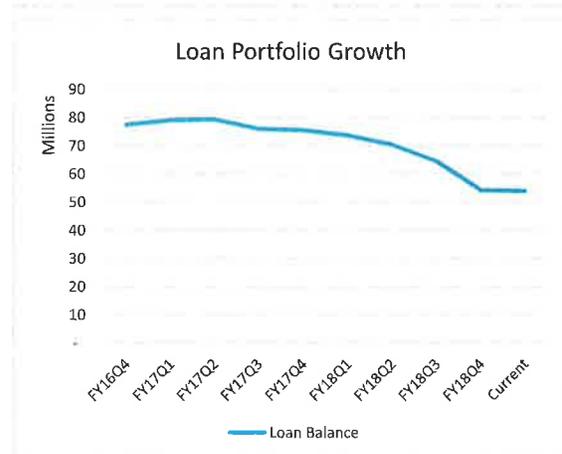
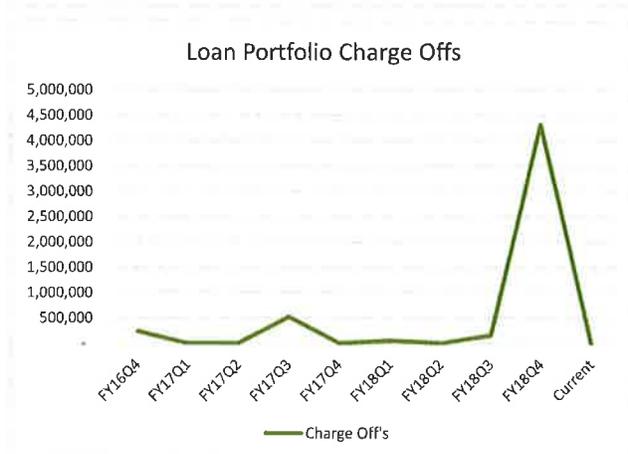
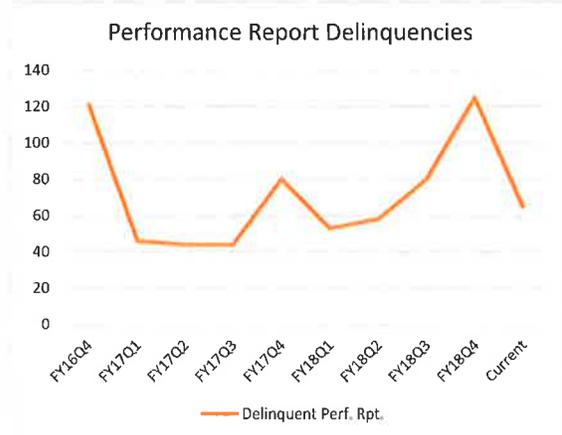
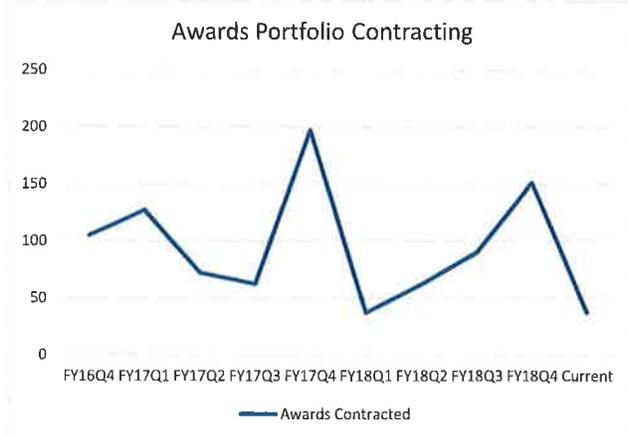
Please contact me directly should you have any questions.

Historical Trends

FY19 Q1

Quarter History

	Payment > 90 Days	Payment Delinquency (%)	Principal > 90 Days	Principal Delinquency (%)	Loan Balance	Delinquent Perf. Rpt.	Awards Contracted	Charge Off's
FY16Q4	547,227	0.7%	5,210,637	6.7%	77,488,416	121	105	235,000
FY17Q1	840,138	1.1%	7,143,292	9.0%	78,999,923	46	127	-
FY17Q2	1,431,711	1.8%	10,528,950	13.3%	79,302,663	44	72	-
FY17Q3	1,386,511	1.8%	12,978,311	17.1%	75,966,333	44	62	522,687
FY17Q4	1,495,006	2.0%	8,740,642	11.6%	75,454,987	80	197	-
FY18Q1	2,115,478	2.9%	9,815,076	13.3%	73,584,398	53	37	48,250
FY18Q2	2,301,760	3.3%	12,850,090	18.3%	70,321,398	58	62	-
FY18Q3	2,479,985	3.6%	11,971,347	18.6%	64,495,825	80	90	155,488
FY18Q4	3,028,193	5.3%	10,040,676	18.5%	54,161,883	125	151	4,316,000
Current	3,303,094	5.8%	9,563,074	17.8%	53,824,825	65	37	-



Loans Past Due > 90 Days

as of 9/30/2018

Name	App	Program	Project	County	Industry	Principal Balance	Over 90 days		Date Contracted	Last Payment*	Days Overdue
							past due	Past Due Amount			
TW Design and Manufacturing, LLC	22770	SPLF	Marquette		332710	\$ 250,000	\$ 241,583	\$ 257,169	2/10/2015	1/25/2016	1004
Infiniti Metals	22326	BOLF	Waupaca		336212	367,000	166,200	177,280	5/13/2014	12/6/2016	973
AquaMost, Inc.	18346	TVF	Dane		333318	44,011	38,512	41,576	2/19/2008	12/6/2016	852
Fer-Li Holsteins, LLC	20539	MVP-R	Calumet		112120	17,516	35,624	35,624	8/24/2011	9/4/2018	852
AquaMost, Inc.	21545	TDL	Dane		333318	207,958	185,418	200,274	12/10/2012	12/6/2016	822
Aurora Spectral Technologies LLC	21359	TDL	Ozaukee		333314	152,439	85,278	92,500	6/8/2012	12/15/2017	791
Kestrel Aircraft Company, Inc.	21223	BREI	Douglas		336411	1,704,310	793,980	866,160	1/18/2012	11/15/2016	730
Kestrel Aircraft Company, Inc.	21538	TDL	Douglas		336411	1,698,065	791,032	862,944	12/19/2012	11/15/2016	730
Edison DC Systems, Inc	22811	TDL	Ozaukee		221122	227,018	19,333	19,333	7/9/2015	9/26/2016	699
SoloMo Technology, Inc.	21361	TDL	Dane		511210	7,401	4,349	4,349	6/8/2012	2/1/2017	607
SoloMo Technology, Inc.	21791	TDL	Dane		511210	41,124	37,687	37,687	4/5/2013	2/1/2017	607
SoloMo Technology, Inc.	22942	TDL	Dane		511210	228,108	107,100	119,700	6/30/2015	2/1/2017	607
Formrite Companies, Inc.	21226	BREI	Manitowoc		331210	231,161	133,880	151,030	5/14/2012	9/4/2018	548
Vibetech, Inc.	21378	TDL	Sheboygan		334510	135,832	53,000	53,000	6/25/2012	12/28/2017	457
The Good Jobs, Inc.	22289	TDL	Milwaukee		519130	58,289	16,052	18,905	12/11/2014	9/17/2018	426
ioGenetics, LLC	10271	TDF	Dane		541711	185,195	38,101	48,130	10/14/2003	10/2/2017	365
ioGenetics, LLC	19315	TVF	Dane		541711	250,000	46,582	59,034	5/12/2009	10/2/2017	365
Odyne Systems, LLC	21265	TDL	Waukesha		336390	210,113	116,097	139,559	3/19/2012	8/31/2018	365
Appleton Coated LLC	22494	BOLF	Outagamie		322121	1,000,000	90,000	110,000	12/19/2014	9/6/2018	334
Murrie, Inc.	21418	TDL	Dane		454111	500,000	27,030	51,090	8/28/2012	2/27/2017	273
Tastee Bites	23174	BOLF	Marquette		31191	67,150	7,665	9,855	1/13/2016	12/5/2017	273
Coating Systems LLC	22724	SPLF	Outagamie		332811	106,601	46,913	62,550	5/28/2015	1/2/2018	242
FI-Med Management, Inc.	21334	BREI	Waukesha		541611	691,751	121,975	162,633	5/1/2012	1/29/2018	242
Stealth Therapeutics, Inc.	21390	TDL	Dane		541712	247,729	40,800	54,400	10/10/2012	1/2/2018	242
Always In Touch, LLC	22790	TDL	Milwaukee		334290	93,268	11,000	15,400	5/28/2015	3/5/2018	214
DLG Naturals, Inc.	23342	SPLF	Rock		446120	173,377	21,785	32,585	6/24/2016	9/4/2018	214
Quietyne, Inc.	23133	TDL	Marquette		518210	199,000	12,171	20,285	2/29/2016	4/2/2018	153
OneEvent Technologies, Inc.	22095	TDL	Dane		334290	203,093	11,400	22,800	12/15/2014	5/29/2018	122
OneEvent Technologies, Inc.	23422	TDL	Dane		334290	250,000	2,500	5,000	3/22/2017	5/29/2018	122
Ricardo E. & Maria Jimenez d/b/a Super Mercado Jim	17011	MBD	Racine		424410	15,566	50	683	1/19/2007	9/4/2018	92
Total						\$ 9,563,074	\$ 3,303,094	\$ 3,731,534			

* blank payment date fields indicate that no payments have been received to date

Performance Based Loans Forgiven

FY19 Q1

Name	App	Program	Date	Principal Forgiven	Interest Forgiven	Principal Remaining	Interest Remaining
Wisconsin Whey Protein, LLC	21865	BREI	07/25/18	\$ 700,000	\$ 64,362	\$ -	\$ -
Good Foods Group, LLC	21531	BREI	08/15/18	124,000	12,047	-	-
Total		2 Awards		\$ 824,000	\$ 76,409	\$ -	\$ -

Charged-off Loans

FY19 Q1

Name	App	Program	Date Contracted	Award Amount	Effective Date	Charged Off Principal	Charged Off Interest
N/A							
Total		0 Awards		\$ -		\$ -	\$ -

Tax Credit Revocations

FY19 Q1

Name	App	Program	Date Contracted	Award Amount	Revocation Date	Revoked Amount	Payment and/or Referral Note	Date Paid to WEDC or Referred to DOR
Greenwood Packaging, LLC	22722	ETC-T	05/04/15	\$ 356,000.00	07/06/18	\$ 207,927	Revocation through DOR	07/06/18
Kestrel Aircraft (1 TC, 2 Loans)	21099	EZ	01/18/12	18,000,000	08/08/18	538,125	Revocation through DOR	08/08/18
Decision Resources Inc	23215	BTC	06/06/16	750,000	08/20/18	205,450	Revocation through DOR	08/20/18
DRS Power & Control Technologies, Inc.	23036	JTC	11/13/15	550,000	09/06/18	50,000	Revocation through DOR	09/06/18
Total		4 Awards				\$ 1,001,502		

Overdue Performance Report List

as of 9/30/2018

General Type	Name	App	Program	Overdue Reports	Project County	Industry	Days Overdue
Bonding Authority	Steele Solutions, Inc.	21319	IRB	1	Milwaukee	332312	1823
Bonding Authority	Plymouth Cold Storage, LLC	23641	IRB	1	Sheboygan	493120	1608
Bonding Authority	Winsert, Inc.	21039	IRB	1	Marinette	331513	1608
Bonding Authority	Howell Avenue Oak Creek, LLC	22260	IRB	1	Ozaukee	311999	993
Bonding Authority	H&CS, LLC	22232	IRB	1	Brown	333922	992
Bonding Authority	OCS Plymouth, LLC	22738	IRB	1	Sheboygan	493120	618
Bonding Authority	Midland Plastics, Inc.	23010	IRB	1	Waukesha	326199	462
Bonding Authority	Faust Ventures LLC	23536	IRB	1	Dane	334118	116
Bonding Authority	Hyrule LLC	23471	IRB	1	Milwaukee	332999	65
Grant	Bunker Labs Wisconsin, Inc.	23386	SA	2	Dane	926110	473
Grant	MasterMold, LLC	21757	WTG	1	Juneau	326199	368
Grant	Revitalize Grafton Inc.	23413	BF	1	Ozaukee	236116	243
Grant	Global Entrepreneurship Collective, Inc.	22764	SA	1	Milwaukee	813211	228
Grant	Ashland, City of	23461	SAG	1	Ashland	921110	122
Grant	University of Wisconsin-Oshkosh	23910	TIP	1	Winnebago	611310	122
Grant	Whitewater Community Development Authority	23512	CC	1	Walworth	925120	78
Grant	Milwaukee, City of	23663	CDI	1	Milwaukee	531120	62
Grant	Nicolet Area Technical College	24012	CB-E	1	Oneida	611210	62
Grant	Oconto County Economic Development Corporation	24013	CB-E	1	Oconto	926110	62
Grant	Walker's Landing of Milwaukee LLC	22711	BF	1	Milwaukee	531390	62
Grant	Door County Economic Development Corporation	23801	CB	1	Door	813910	61
Grant	Superior, City of	23753	CDI	1	Douglas	925120	61
Grant	Viroqua, City of	23883	CDI	1	Vernon	445110	61
Grant	Hydro Electronic Devices, Inc.	24086	IMAG	1	Dodge	335314	31
Investor Tax Credit	Altus Medical Group, Inc.	23040	QNBV	2	Dane	518210	579
Investor Tax Credit	GoHITLIST Corporation	22990	QNBV	3	Milwaukee	511210	579
Investor Tax Credit	Aurora Spectral Technologies LLC	20519	QNBV	1	Milwaukee	333314	214
Investor Tax Credit	Enhancement Medical, LLC	21221	QNBV	1	Milwaukee	325412	214
Investor Tax Credit	Snippet Corp	23913	QNBV	1	Dane	511210	214
Investor Tax Credit	SpeechTails, Inc	21370	QNBV	1	Waukesha	611110	214
Investor Tax Credit	Elli Health, Inc.	22046	QNBV	1	Waukesha	541511	47
Loan	Coating Systems LLC	22724	SPLF	2	Outagamie	332811	579
Loan	Odyne Systems, LLC	23456	TDL	1	Waukesha	336350	243
Loan	Kestrel Aircraft Company, Inc.	21538	TDL	1	Douglas	336411	242
Loan	Megalodon Insurance Systems, Inc.	23585	TDL	1	Dane	511210	242
Loan	Kestrel Aircraft Company, Inc.	21223	BREI	1	Douglas	336411	184
Loan	Exodus Machines Incorporated	21447	BREI	1	Douglas	333120	183
Tax Credit	Volm Companies	21781	ETC	1	Langlade	322211	365
Tax Credit	Actuant Corporation	21833	JTC	2	Columbia	333995	335
Tax Credit	Pratt Industries, Inc.	22716	JTC	1	Rock	322211	313
Tax Credit	Lehmkuhl Enterprises LLC	22322	HTC	1	Racine	531390	274
Tax Credit	Building Envelope Solutions, LLC	23033	ETC	2	Winnebago	23835	214
Tax Credit	Castle-Pierce Corporation	23240	BTC	1	Winnebago	323111	214
Tax Credit	Danisco USA, Inc.	21952	ETC	1	Dane	325414	214
Tax Credit	ECM Holding Group, LLC	23018	ETC	2	Winnebago	541690	214
Tax Credit	Gardner Denver, Inc.	22032	JTC	1	Milwaukee	3339	214
Tax Credit	Kern Krest - Pleasant Prairie	23411	BTC	1	Kenosha	33911	214
Tax Credit	Laserwords U.S. Inc.	22119	ETC	1	Dane	561110	214
Tax Credit	MasterMold, LLC	21715	ETC	1	Juneau	326199	214
Tax Credit	West Business Solutions, LLC	21920	JTC	1	Dane	561422	214
Tax Credit	Hydratight Operations, Inc	23210	BTC	1	Langlade	333991	183
Tax Credit	Catalent Pharma Solutions, LLC	20549	JTC	1	Dane	325414	93
Tax Credit	Polyfirst Packaging, Inc.	22860	ETC-T	1	Dodge	326111	92
Tax Credit	Total Administrative Services Corporation	24164	BTC	1	Dane	524210	92
Tax Credit	Kerry Ingredients & Flavours	17506	REDZ	1	Rock	311999	62
Tax Credit	Immucor GTI Diagnostics, Inc.	23453	BTC	1	Waukesha	339113	61
Tax Credit	Jagemann Stamping Company	21831	ETC	1	Manitowoc	332119	61
Total	57 Awardees			65			

Overdue SOE, VS Listing

as of 9/30/2018

General Type	Name	App	Program	Overdue SoE/VS	Project County	Days Overdue
Loan	Formrite Companies, Inc.	21226	BREI	1	Manitowoc	639
Loan	Aurora Spectral Technologies LLC	21359	TDL	1	Ozaukee	549
Grant	Wisconsin Technology Innovation Initiative, Inc.	22345	CC	1	Dane	335
Loan	AquaMost, Inc.	21545	TDL	1	Dane	242
Grant	Ashland, City of	23461	SAG	1	Ashland	154
Grant	Madison, City of	23859	CDI	1	Dane	154
Grant	Neenah Paper, Inc.	22964	WTG	1	Outagamie	154
Grant	Veritas Village, LLC	23506	BF	1	Dane	154
Loan	Forward Health Group, Inc	23700	TDL	1	Dane	154
Loan	Gel Seal Technologies, LLC	23761	TDL	1	Winnebago	154
Loan	Megalodon Insurance Systems, Inc.	23585	TDL	1	Dane	154
Loan	Scanalytics, Inc	23287	TDL	1	Milwaukee	154
Total	12 Awards			12		

Awards Origination

FY19 Q1

General Type	Name	Program	Amount	Date Contracted	Project County
Grant	Archipelago Village, LLC	BF	\$ 500,000	9/28/2018	Dane
Grant	Brookfield, City of	CDI	250,000	9/25/2018	Waukesha
Grant	CJKWebcrafters, Inc.	WTG	280,000	9/26/2018	Dane
Grant	Design Specialties, LLC	IMAG	25,000	9/28/2018	Milwaukee
Grant	DNASTAR, Inc.	IMAG	10,000	9/25/2018	Dane
Grant	DSG Outerwear, LLC	IMAG	25,000	9/6/2018	Dane
Grant	East Troy, Village of	CDI	250,000	8/27/2018	Walworth
Grant	GenCap Platteville 71, LLC	BF	93,900	9/6/2018	Grant
Grant	Hartford, City of	BF	499,000	9/6/2018	Washington
Grant	Radio Milwaukee, Inc	SA	40,000	9/10/2018	Milwaukee
Grant	Stoughton Redevelopment Authority	ISR	500,000	9/6/2018	Dane
Grant	Wisconsin Women's Business Initiative Corporation	SA	80,000	9/25/2018	Milwaukee
Investor Tax Credit	30Ventures Fund I, L.P.	QVF		9/26/2018	Dane
Investor Tax Credit	Clean Beam, LLC	QNBV	1,275,000	8/27/2018	Juneau
Investor Tax Credit	FR Capital Holdings, L.P.	QVF		7/31/2018	
Investor Tax Credit	LightsOn, Inc.	QNBV	125,000	8/15/2018	Dane
Investor Tax Credit	Liquid Gigs Corp	QNBV	125,000	7/31/2018	Dane
Investor Tax Credit	Michigan Growth Capital Partners III, LP	QVF		8/13/2018	
Investor Tax Credit	Socialeads, Inc.	QNBV	187,500	8/20/2018	Milwaukee
Investor Tax Credit	Sourcing USA Inc.	QNBV	250,000	8/15/2018	Milwaukee
Investor Tax Credit	Sturbridge Capital, LLC	QVF		7/31/2018	
Investor Tax Credit	Venture Investors Health Fund 6 Limited Partnership	QVF		7/31/2018	Dane
Investor Tax Credit	Virtue Applications LLC	QNBV	250,000	7/31/2018	Dane
Investor Tax Credit	Vivid Microscopy LLC	QNBV	500,000	9/25/2018	Waukesha
Operation	Channels Business Solutions, LLC	WEDC-P	6,500	8/28/2018	
Operation	Council of Great Lakes Governors Inc	WEDC-P	191,870	8/27/2018	
Operation	Global Strategy Inc.	WEDC-P	16,050	8/28/2018	
Operation	Korea Business Services Inc.	WEDC-P	5,520	9/6/2018	
Operation	Orissa International Pte Ltd	WEDC-P	4,400	8/27/2018	
Operation	Prosperity Southwest Wisconsin	WEDC-P	80,000	9/28/2018	Grant
Operation	psps consultants	WEDC-P	5,600	9/8/2018	
Tax Credit	107 King St LLC	HTC	65,412	9/26/2018	Dane
Tax Credit	Hotel Metro LLC	HTC	1,064,000	9/13/2018	Milwaukee
Tax Credit	Lavelle Industries, Inc.	BTC	520,000	9/6/2018	Racine
Tax Credit	McKinley School Apartments, LLC	HTC	2,112,004	9/20/2018	Milwaukee
Tax Credit	Stella & Chewy's LLC	BTC	500,000	9/6/2018	Milwaukee
Tax Credit	Winona Foods, Inc.	BTC	280,000	9/25/2018	Brown
Total	37 Awards and Operations		\$ 10,116,756		

Bonding	0	\$ -
Grant	12	2,552,900
Investor Tax Credit	12	2,712,500
Loan - BOLF	0	0
Loan - TDL	0	0
Partner Operation	7	309,940
Tax Credit - BTC	3	1,300,000
Tax Credit - EZ	0	0
Tax Credit - HTC	3	3,241,416
Tax Credit - EITMZ	0	0
Total	37	\$ 10,116,756

Amendment List

FY19 Q1

Name	App	Contracted Date	Program	Amendment Date	Amendment Reason
Exact Logix Inc.	21668	7/30/2013	JTC	9/28/2018	Other
Driver Opera House Restoration, Inc.	23795	6/19/2017	HTC	9/25/2018	Lower/Increase Award Amount
Winona Foods, Inc.	22392	9/12/2014	ETC	9/25/2018	Change Project Scope
Sauk City, Village of	23670	4/20/2017	CDI	9/25/2018	Extend Draw Period
Okanjo Partners, Inc.	23049	11/30/2015	TDL	9/25/2018	Defer Payments
Immucor GTI Diagnostics, Inc.	23453	7/27/2016	BTC	9/20/2018	Change Certification Date
Danes Hall of Waupaca, LLC	23872	6/23/2017	HTC	9/20/2018	Increase Certification
Performance Coatings LLC	22083	3/7/2014	TDL	9/14/2018	Fix Typo
Milwaukee County	23863	8/28/2017	SAG	9/14/2018	Extend Draw Period
Grant County	23232	4/19/2016	SAG	9/11/2018	Extend Draw Period
Waupaca, City of	23009	9/18/2015	CDI	9/11/2018	Extend Draw Period
Waterloo, City of	22204	4/3/2014	ISR	9/11/2018	Extend Draw Period
Nestle Dreyer's Ice Cream Company	23534	5/16/2017	BTC	9/10/2018	Other
Chicago Fittings Corporation	22637	1/6/2015	JTC	9/10/2018	Other
Good Foods Group, LLC	21531	8/12/2013	BREI	9/7/2018	Other
Oshkosh, City of	23257	7/18/2016	ISR	9/6/2018	Extend Draw Period
Wellbe, Inc.	24075	4/12/2018	TDL	9/6/2018	Defer Payments
ImageMoverMD, Inc.	23165	5/2/2016	TDL	9/6/2018	Defer Payments
PPD Development, L.P.	22871	8/24/2015	JTC	9/6/2018	Other
Stablebody Technologies, LLC	21393	8/20/2012	TDL	9/6/2018	Defer Payments
Dynamis Software Corporation	21658	6/5/2013	WVDF	8/27/2018	Defer Payments
Wausau, City of	23760	6/15/2017	CDI	8/22/2018	Extend Draw Period
The Art Commission, LLC	21937	12/9/2013	TDL	8/22/2018	Other
IPMF, LLC	23138	7/27/2016	BOLF	8/20/2018	Other
UW-Oshkosh Center for Entrepreneurship and Innovation	24053	3/9/2018	SA	8/15/2018	Budget Change
North Waite Plaza, LLC	23878	6/29/2017	HTC	8/15/2018	Lower/Increase Award Amount
American Provenance II, Inc.	24096	3/30/2018	QNBV	8/8/2018	Name Change
Glory Global Solutions, Inc.	23230	5/9/2016	BTC	8/8/2018	Change Certification Date
Drexel Building Supply Inc	24006	3/26/2018	BTC	8/7/2018	Extend/Shorten Job Creation Period
Dynamic Recycling, Inc.	23771	6/26/2017	BTC	8/2/2018	Name Change
LDV, Inc.	23673	5/16/2017	BTC	7/31/2018	Change Reporting Date
Global Water Center II LLC	23038	9/14/2015	HTC	7/31/2018	Name Change
Whitewater Community Development Authority	22767	3/13/2015	CC	7/31/2018	Budget Change
Performance Coatings LLC	22083	3/7/2014	TDL	7/31/2018	Other
Wisconsin Business Innovation Corporation	23631	1/12/2017	CB	7/25/2018	Extend Draw Period
Empire Block, LLC	23595	12/19/2016	HTC	7/25/2018	Lower/Increase Award Amount
7000 West Calumet Road LLC	22158	9/8/2014	BF	7/25/2018	Extend Draw Period
Wisconsin Whey Protein, Inc	21865	10/10/2013	BREI	7/23/2018	Extend/Shorten Job Creation Period
Arts Alliance of Portage County, Inc.	23864	6/26/2017	CB	7/12/2018	Extend Draw Period
Wisconsin Housing Preservation Corp.	23598	5/15/2017	BF	7/12/2018	Budget Change
Johnsonville Sausage, LLC	23557	3/27/2017	EZ	7/12/2018	Fix Typo
Platteville, City of	24099	3/9/2018	CDI	7/11/2018	Other
Milwaukee Development Corporation	23756	6/15/2017	TIP	7/11/2018	Budget Change
Green Bay, City of	23245	7/25/2016	ISR	7/9/2018	Budget Change;Extend Draw Period
BCP Transportation, Inc.	22957	7/9/2015	ETC	7/9/2018	Fix Typo
Total Awards		45			



MEMO

To: Budget and Finance Committee / Board of Directors
From: Brian Nowicki, CFO
CC: Mark Hogan, Secretary / CEO, Tricia Braun, Deputy Secretary / COO,
Finance Team
Date: November 12, 2018

Re: September 30, 2018 Financial Report Overview

Attached please find WEDC's September reporting package is made up for the following schedules:

1. Balance sheet (page 3)
2. Schedule of Revenues, Expenditures and Changes in Fund Balance (page 4)
3. Schedule of Expenditures - by Object – by Department (pages 5 –6)
4. Schedule of Open Commitments, Contracts and GAAP Expenditures (page 7)
5. Schedule of Awards Contracted (page 8)
6. Cash and Investment Report (9 – 11)

Report Understanding:

All schedules use the GAAP (generally accepted accounting principles) basis for reporting expenditures, except amounts show for open commitments and contract amounts.

1. Balance sheet - shows assets, liabilities and equity composition and includes the end of last fiscal year for comparison purposes. The main focus on this statement is the unassigned fund balance amount. Unassigned fund balance represents our funds available for spending as of a point in time.
2. Schedule of Revenues, Expenditures and Changes in Fund Balance
 - a. Provides a high level overview of WEDC's revenues by source and expenditures by object, both as compared to prior year and our current year's budget.
 - b. Revenue sources include intergovernmental revenues, which is primarily funding from the State, charges for services, interest on loans, interest on investments and other revenues, which include sponsorships received.
 - c. Expenditures are categorized by object. Object based reporting means that expenditures are categorized by programs, partnerships, marketing, payroll, operating, etc., rather than by function. Functional based reporting means that expenditures are categorized primarily by economic development departments (BCD, SSD, E&I, IBD, and BIA), marketing and administration.
3. Schedule of Expenditures - by Object – by Department

THINK·MAKE·HAPPEN.

- a. Shows expenditures by object broken down further by individual department. This is reported with the same methods as the previous schedule, but includes further details on the expenditures.
 - b. Program expenditures are based on the draw requests we have received for the fiscal year. As an important reminder, even though we enter into a contract for an award, it is not considered to be an expenditure for accounting purposes until the awardee spends or requests the funds.
 - c. The budget for programs represents the amount that we intend to commit or contract during the year. There will often be large differences between these amounts since awardees have multiple years to spend contracts down. As a reminder, loans are not considered to be expenditures for accounting purposes.
4. Schedule of Open Commitments, Contracts and GAAP Expenditures
- a. New funding FY19 - represent the new funds that were allocated to each program in the budget.
 - b. Open commitments - represent awards that we are in the process of contracting or negotiating with. We expect that the majority of our commitments will become contracts in the near term. These amounts are taken from our award management system. Once a commitment has been made we set funding aside to satisfy the commitment.
 - c. Open contracts - represent amounts for which we have an executed contract and the awardee is in progress with their project. These amounts are taken from our award management system.
 - d. FY19 expended - represent the total cash payments, or draws, on contracts during fiscal year 2019. As mentioned above, loans are not considered expenditures. The amounts included in the FY19 expended are the amounts drawn on loans.
 - e. Unallocated budget – represent funding available to be used or excess funding that has been used by the program to date.
5. Schedule of Awards Contracted
- a. This schedule mirrors the method used to develop our Annual Report on Economic Development, which reports awards in the year that they are contracted.
6. Cash and Investment Summary
- a. The first page of the report shows the composition of our investments by financial institution used, maturity and investment type.
 - b. The second page graphically shows our investment portfolio by composition.
 - c. The next several pages list the individual investment purchases made and held during the quarter.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
as of September 30, 2018

	FY 18 as of 6/30/2018	FY 19 YTD
ASSETS		
Cash and cash equivalents	\$ 26,288,965	33,016,140
Investments	50,751,843	51,041,640
Accounts receivable & due from other governments	17,987,275	11,820,570
Accrued interest on investments	123,240	-
Prepaid items	783,451	33,620
Loans receivable - collectible	42,565,102	43,030,497
Loans receivable - performance based	12,325,400	11,498,400
Allowance for loans receivable	(24,437,553)	(23,705,044)
Interest on loans receivable (net of allowance)	1,327,337	1,168,931
TOTAL ASSETS	\$ 127,715,060	127,904,754
LIABILITIES		
Accounts payable	\$ 2,602,775	26,813
Accrued awards	1,834,407	534,740
Accrued expenses	474,892	478,708
Accrued wages	222,601	222,601
Payroll related liabilities	70,524	152,479
Total Liabilities	5,205,199	1,415,341
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	998,404	836,379
Total Deferred Inflows of Resources	998,404	836,379
FUND BALANCES		
Nonspendable - prepaids	783,451	33,620
Nonspendable - long-term receivables	30,452,949	30,823,853
Restricted for		
Economic development	42,852,973	37,570,286
Brownfield site assessment	2,649,886	2,238,435
SSBCI	1,382,080	1,466,555
Talent attraction and retention initiative	6,043,749	4,941,727
Assigned for		
Loan guarantees	330,000	330,000
Compensated absences	656,966	656,966
Note payable to State of Wisconsin	1,945,360	1,945,360
Open commitments	487,000	2,856,500
Unassigned	33,927,043	42,789,732
Total Fund Balances	121,511,457	125,653,034
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 127,715,060	\$ 127,904,754

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the period ended September 30, 2018

	FY 18 Actual	FY 19 YTD Actual	FY 19 Budget	FY 19 Amend Budget Sept	Variance with Budget	FY19 % Rec'd or Used
REVENUES						
Intergovernmental revenue	\$ 60,325,473	\$ 11,014,511	\$ 43,983,112	\$ 43,983,112	\$ 32,968,601	25.0%
Charges for services	149,989	17,462	210,000	210,000	192,538	8.3%
Interest income	1,741,684	689,069	2,555,000	2,555,000	1,865,931	27.0%
Other revenues	419,602	261,507	350,726	350,726	89,219	74.6%
Total Other Revenues	<u>62,636,748</u>	<u>11,982,549</u>	<u>47,098,838</u>	<u>47,098,838</u>	<u>35,116,289</u>	<u>25.4%</u>
EXPENDITURES - BY OBJECT						
Programs	15,580,431	1,801,694	25,372,000	27,372,000	25,570,306	6.6%
Key strategic partners	4,288,219	-	4,657,500	4,657,500	4,657,500	0.0%
Loan loss reserve -Collectible	1,830,105	91,491	1,000,000	1,000,000	908,509	9.1%
Loan loss reserve - Performance Based	1,500,000	-	-	-	-	0.0%
Total direct economic development	<u>23,198,755</u>	<u>1,893,185</u>	<u>31,029,500</u>	<u>33,029,500</u>	<u>31,136,315</u>	<u>5.7%</u>
Marketing and communications	4,140,170	1,769,134	8,282,810	8,282,810	6,513,676	21.4%
Payroll and benefits	10,517,883	2,639,995	11,828,176	11,828,176	9,188,181	22.3%
Operations and general	4,906,636	1,208,305	5,558,263	5,558,263	4,349,958	21.7%
Pass-through federal grant expenditures	1,433,619	330,353	1,585,000	1,585,000	1,254,647	20.8%
Capital	432,036	-	80,000	80,000	80,000	0.0%
Debt service	178,589	-	210,000	210,000	210,000	0.0%
Total Expenditures	<u>44,807,688</u>	<u>7,840,972</u>	<u>58,573,749</u>	<u>60,573,749</u>	<u>52,732,777</u>	<u>12.9%</u>
Net Change in Fund Balance	<u>17,829,060</u>	<u>4,141,577</u>	<u>\$ (11,474,911)</u>	<u>\$ (13,474,911)</u>	<u>\$ (17,616,488)</u>	
FUND BALANCES - BEGINNING OF YEAR	<u>103,682,397</u>	<u>121,511,457</u>				
FUND BALANCES - END OF YEAR	<u>\$ 121,511,457</u>	<u>\$ 125,653,034</u>				

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES
BY OBJECT - BY DEPARTMENT
For the period ended September 30, 2018

	FY 18 Actual	FY 19 YTD Actual	FY 19 Budget	FY 19 Amend Budget Sept	Unallocated Budget	FY19 % Rec'd or Used
Programs						
Entrepreneurship & innovation - 2000	\$ 2,883,492	\$ 825,000	4,750,000	4,750,000	\$ 3,925,000	17.4%
Business and community development - 3000	10,125,933	712,411	14,900,000	16,900,000	16,187,589	4.2%
Sector strategy development - 4000	1,774,324	97,902	4,300,000	4,300,000	4,202,098	2.3%
International business development - 7000	796,682	166,381	1,422,000	1,422,000	1,255,619	11.7%
Total Programs	15,580,431	1,801,694	25,372,000	27,372,000	25,570,306	6.6%
Partnerships						
Entrepreneurship & innovation - 2000	1,250,000	-	1,250,000	1,250,000	1,250,000	0.0%
Business and community development - 3000	1,557,819	-	1,902,500	1,902,500	1,902,500	0.0%
Sector strategy development - 4000	1,250,000	-	1,275,000	1,275,000	1,275,000	0.0%
International business development - 7000	230,400	-	230,000	230,000	230,000	0.0%
Total Partnerships	4,288,219	-	4,657,500	4,657,500	4,657,500	0.0%
Loan Loss Reserve						
Entrepreneurship & innovation - 2000	1,572,790	93,058	500,000	500,000	406,942	18.6%
Business and community development - 3000	1,757,315	(1,567)	500,000	500,000	501,567	-0.3%
Total Loan Loss Reserve	3,330,105	91,491	1,000,000	1,000,000	908,509	9.1%
Marketing & brand strategy - 5000	4,140,170	1,769,134	8,282,810	8,282,810	6,513,676	21.4%
Payroll and Benefits						
Legal services & compliance - 1100	943,957	222,590	986,566	986,566	763,976	22.6%
Executive office - 1200	939,336	215,209	998,663	998,663	783,454	21.5%
Operations & program performance - 1300	359,270	108,516	418,764	418,764	310,248	25.9%
Entrepreneurship & innovation - 2000	486,597	119,867	526,090	526,090	406,223	22.8%
Business and community development - 3000	2,210,735	537,124	2,249,381	2,249,381	1,712,257	23.9%
Business & investment attraction - 3500	253,612	68,099	526,099	526,099	458,000	12.9%
Sector strategy development - 4000	719,082	158,714	807,651	807,651	648,937	19.7%
Marketing & brand strategy - 5000	813,402	204,496	853,477	853,477	648,981	24.0%
Human resources - 6100	529,550	132,111	697,704	697,704	565,593	18.9%
Finance - 6200	396,632	115,160	467,813	467,813	352,653	24.6%
Technology & information systems - 6300	667,841	184,111	747,671	747,671	563,560	24.6%
Credit and risk - 6600	929,800	258,987	1,178,669	1,178,669	919,682	22.0%
International business development - 7000	778,448	188,519	860,483	860,483	671,964	21.9%
Office of public policy - 8000	489,621	126,492	509,145	509,145	382,653	24.8%
Total Payroll and Benefits	10,517,883	2,639,995	11,828,176	11,828,176	9,188,181	22.3%

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES
BY OBJECT - BY DEPARTMENT
For the period ended September 30, 2018

	FY 18 Actual	FY 19 YTD Actual	FY 19 Budget	FY 19 Amend Budget Sept	Unallocated Budget	FY19 % Rec'd or Used
Operations and General						
Legal services & compliance - 1100	298,599	18,997	125,000	125,000	106,003	15.2%
Executive office - 1200	237,935	25,003	199,500	199,500	174,497	12.5%
Operations & program performance - 1300	13,548	1,944	38,050	38,050	36,106	5.1%
Entrepreneurship & innovation - 2000	38,064	2,252	142,800	142,800	140,548	1.6%
Business and community development - 3000	607,663	54,933	599,700	599,700	544,767	9.2%
Business & investment attraction - 3500	459,383	37,790	311,445	311,445	273,655	12.1%
Sector strategy development - 4000	85,838	14,357	122,490	122,490	108,133	11.7%
Human resources - 6100	685,520	59,669	826,930	826,930	767,261	7.2%
Finance - 6200	133,649	15,408	237,100	237,100	221,692	6.5%
Technology & information systems - 6300	1,321,534	608,571	1,497,808	1,497,808	889,237	40.6%
Credit and risk - 6600	8,235	4,398	17,000	17,000	12,602	25.9%
International business development - 7000	1,003,153	23,155	1,047,640	1,047,640	1,024,485	2.2%
Office of public policy - 8000	13,515	341,828	392,800	392,800	50,972	87.0%
Total Operation and General	4,906,636	1,208,305	5,558,263	5,558,263	4,349,958	21.7%
Pass-through federal grant expenditures	1,433,619	330,353	1,585,000	1,585,000	1,254,647	20.8%
Capital						
Marketing & brand strategy - 5000	385,000	-	-	-	-	0.0%
Human resources - 6100	-	-	40,000	40,000	40,000	0.0%
Finance - 6200	47,036	-	40,000	40,000	40,000	0.0%
Total Capital	432,036	-	80,000	80,000	80,000	0.0%
Debt Service						
Finance - 6200	178,589	-	210,000	210,000	210,000	0.0%
Total Debt Service	178,589	-	210,000	210,000	210,000	0.0%
Total	\$ 44,807,688	\$ 7,840,972	\$ 58,573,749	\$ 60,573,749	\$ 52,732,777	12.9%

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF OPEN COMMITMENTS, CONTRACTS AND GAAP EXPENDITURES - FY18 AND BUDGET
For the period ended September 30, 2018

Div.	Account No. and Name	A		B		C		D=A+B+C		FY19 % Rec'd or Used
		FY19 Amended Funding	Open Commitments	Open Contracts	FY 19 Expended	FY 19 YTD Committed/Contract Expended	Unallocated Budget FY19			
Programs										
2000	6630 - Seed Accelerator Program	1,000,000	-	120,000	-	120,000	880,000	12.0%		
2000	6646 - Entrepreneur Micro Grant Program	250,000	200,000	-	-	200,000	50,000	80.0%		
2000	6650 - Capital Catalyst Program	1,500,000	-	-	-	-	1,500,000	0.0%		
2000	6600.1 - Capacity Building Grants - E&I	500,000	-	-	-	-	500,000	0.0%		
2000	6731 - SBIR/STTR Matching Grant	1,500,000	1,500,000	-	-	1,500,000	-	100.0%		
	Total E&I Grants	4,750,000	1,700,000	120,000	-	1,820,000	2,930,000	38.3%		
3000	6600 - Capacity Building Grants - BCD	250,000	-	-	-	-	250,000	0.0%		
3000	6620 - Workforce Training Grants	1,500,000	-	280,000	-	280,000	1,220,000	18.7%		
3000	6670 - Minority Business Development Grant	150,000	-	-	-	-	150,000	0.0%		
3000	6671 - Disaster Recovery Microloan	2,000,000	-	-	-	-	2,000,000	0.0%		
3000	6680 - Community Development Inv. Grants	5,000,000	-	500,000	-	500,000	4,500,000	10.0%		
3000	6710 - Brownfield Site Assessment Grants	1,500,000	150,000	-	-	150,000	1,350,000	10.0%		
3000	6720 - Brownfield Program Grants	5,000,000	-	1,092,900	-	1,092,900	3,907,100	21.9%		
3000	6725 - Idle Sites Program	1,500,000	-	500,000	-	500,000	1,000,000	33.3%		
3000	6753 - Revolving Loan Fund - LEG	-	-	-	-	-	-	0.0%		
	Total BCD Grants	16,900,000	150,000	2,372,900	-	2,522,900	14,377,100	14.9%		
4000	6640 - Targeted Industry Project Grants	3,800,000	-	-	-	-	3,800,000	0.0%		
4000	6755 - Fabrication Laboratories	500,000	-	-	-	-	500,000	0.0%		
	Total SSD Grants	4,300,000	-	-	-	-	4,300,000	0.0%		
7000	6655 - Expotech	222,000	222,000	-	-	222,000	-	100.0%		
7000	6665.1 - International Market Access Grant	1,082,000	10,000	60,000	-	70,000	1,012,000	6.5%		
7000	6665.2 - Collaborative Market Access Grant	118,000	-	-	-	-	118,000	0.0%		
	Total IBD Grants	1,422,000	232,000	60,000	-	292,000	1,130,000	20.5%		
	Total Grants	27,372,000	2,082,000	2,552,900	-	4,634,900	22,737,100	16.9%		
Loans										
2000	1xxx - Technology Development Loans--State	3,000,000	500,000	-	-	500,000	2,500,000	16.7%		
	11xx - Revolving Technology Development	-	-	-	-	-	-	-		
2000	Loans--SSBCI	2,000,000	-	-	-	-	2,000,000	0.0%		
	Total E&I Loans	5,000,000	500,000	-	-	500,000	4,500,000	10.0%		
3000	11xx - Business Development Loan Program -	1,500,000	-	-	-	-	1,500,000	0.0%		
	Total BCD Loans	1,500,000	-	-	-	-	1,500,000	0.0%		
	Total Loans	6,500,000	500,000	-	-	500,000	6,000,000	7.7%		
Key Strategic Partners										
2000	5120 - WWBIC	350,000	-	-	-	-	350,000	0.0%		
2000	5130 - WEN (CTC)	540,000	-	-	-	-	540,000	0.0%		
2000	5140 - Wisconsin Technology Council	310,000	-	-	-	-	310,000	0.0%		
2000	5141 - BrightStar Wisconsin Foundation	50,000	-	-	-	-	50,000	0.0%		
	Total E&I KSP	1,250,000	-	-	-	-	1,250,000	0.0%		
3000	5155 - Minority Business Development	750,000	-	-	-	-	750,000	0.0%		
3000	5160 - Regional Economic Development Orgs	827,500	-	-	-	-	827,500	0.0%		
3000	5185 - Wisconsin Procurement Institute	325,000	-	-	-	-	325,000	0.0%		
	Total BCD KSP	1,902,500	-	-	-	-	1,902,500	0.0%		
4000	5175 - WCMP	1,275,000	-	-	-	-	1,275,000	0.0%		
7000	5105 - Global Partner Network	230,000	-	198,208	31,732	229,940	60	100.0%		
	Total Key Strategic Partners	4,657,500	-	198,208	31,732	229,940	4,427,560	4.9%		
	Total	38,529,500	2,582,000	2,751,108	31,732	5,364,840	33,164,660	13.9%		
Tax Credits										
		Committed FY19	# of Committed FY19	Contracted FY19	# of Contracted FY19	Total FY19	# Total FY19			
	Business Development Tax Credit	\$ 195,000	1	\$ 1,400,000	4	\$ 1,595,000	5			
	Historic Preservation Tax Credit	-	-	3,241,416	3	3,241,416	3			
	Enterprise Zone	59,500,000	1	-	-	59,500,000	1			
	Qualified New Business Venture	937,500	2	2,712,500	7	3,650,000	9			
	Qualified Venture Fund Certification	-	-	-	5	-	5			
	Total Tax Credits	\$ 60,632,500	4	\$ 7,353,916	19	\$ 67,986,416	23			

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF AWARDS CONTRACTED - ANNUAL REPORT ON
ECONOMIC DEVELOPMENT BASIS - FY18, FY19
as of September 30, 2018

Div.	Account No. and Name	FY18 Actual Awards Contracted	FY19 Actual Awards Contracted
Programs			
2000	Capital Catalyst	\$ 625,000	\$ -
2000	Entrepreneurial Micro-Grant	200,000	-
2000	Seed Accelerator	970,600	120,000
2000	Capacity Building - E&I	500,000	-
2000	SBIR/STTR Matching Grant	1,350,000	-
3000	Brownfields Grant Program	5,582,600	1,092,900
3000	Capacity Building	417,000	-
3000	Community Development Investment	5,568,825	500,000
3000	Idle Sites Redevelopment Program	2,435,000	500,000
3000	Site Assessment Grants	1,238,200	-
3000	Workforce Training	750,000	280,000
3000	Minority Business Development	-	-
3000	Legislative Award	100,000	-
4000	Targeted Industry Projects	3,950,603	-
4000	Fabrication Laboratories Grant	504,863	-
7000	ExporTech	214,000	-
7000	GBDG - International Market Access Grant	1,087,680	60,000
7000	GBDG - Collaborative Market Access Grant	112,320	-
	Total Programs	25,606,691	2,552,900
Loans			
2000	Technology Development Loans	4,012,500	-
3000	Business Opportunity Loan Fund	-	-
3000	Business Development Loan Program	500,000	-
3000	Special Project Loan Fund	-	-
	Total Loans	4,512,500	-
Bonding Authority			
3000	Industrial Revenue Bond	45,400,000	-
	Total Bonding Authority	45,400,000	-
Investor Credits			
2000	Qualified New Business Venture	14,937,500	2,712,500
	Total Investor Credits	14,937,500	2,712,500
Tax Credits			
3000	Electronics and Information Technology M	2,850,000,000	-
3000	Business Development Tax Credit	15,613,800	1,300,000
3000	Enterprise Zone	104,500,000	-
3000	Historic Preservation Tax Credit	77,544,200	3,241,416
	Total Tax Credits	3,047,658,000	4,541,416
	Total	\$ 3,138,114,691	\$ 9,806,816

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
CASH AND INVESTMENT SUMMARY
as of September 30, 2018

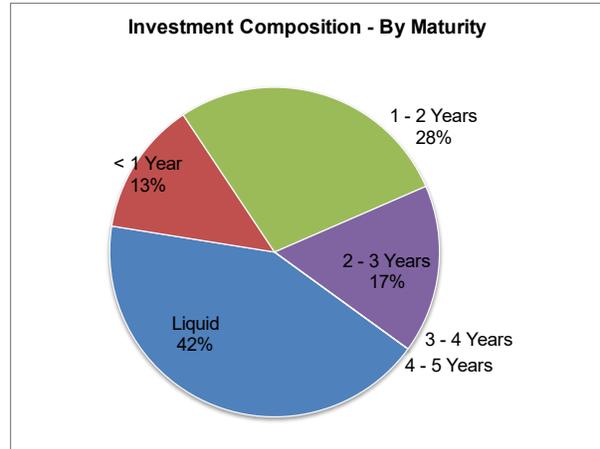
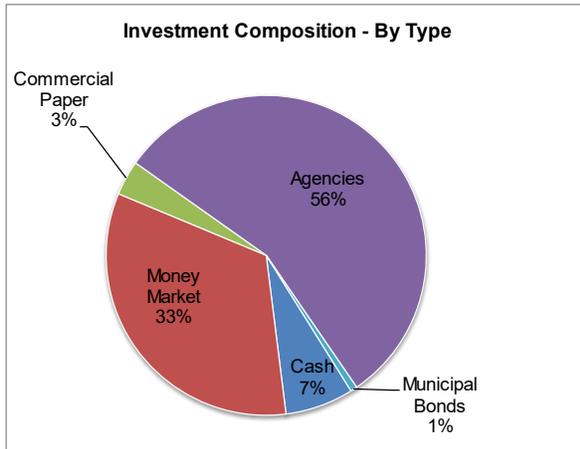
Institution	Book	Bank / Market		Maturity Term						Total
	Balance	Value	Difference	Liquid	< 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	
US Bank										
Checking	\$ 4,677,237	\$ 5,821,597	1,144,360	5,821,597	-	-	-	-	-	5,821,597
Federal/Payroll	3,500	3,500	-	3,500	-	-	-	-	-	3,500
Total	4,680,737	5,825,097	1,144,360	5,825,097	-	-	-	-	-	5,825,097
ADM										
American Money Market	28,284,675	28,284,675	-	28,284,675	-	-	-	-	-	28,284,675
Total ADM	28,284,675	28,284,675	-	28,284,675	-	-	-	-	-	28,284,675
US Bank Custodial										
Cash / purchases not settled	50,728	50,728	-	50,728	-	-	-	-	-	50,728
Agencies	47,304,378	47,304,378	-	-	9,816,825	23,434,970	14,052,583	-	-	47,304,378
Commercial Paper	2,991,300	2,991,300	-	1,998,180	993,120	-	-	-	-	2,991,300
Municipal Bonds	572,211	572,211	-	-	351,979	220,232	-	-	-	572,211
Total US Bank	50,918,617	50,918,617	-	2,048,908	11,161,924	23,655,202	14,052,583	-	-	50,918,617
Total Cash and Investments	\$ 83,884,029	85,028,389	1,144,360	36,158,680	11,161,924	23,655,202	14,052,583	-	-	85,028,389
Cash & cash equivalents	33,016,140									
Investments	50,867,889									
	<u>\$ 83,884,029</u>									

Performance Based Benchmark	Actual		
	7/31/2018	8/31/2018	9/30/2018
WEDC	2.21	2.19	2.32
LGIP	1.95	2.00	2.05

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
INVESTMENT COMPOSITION SUMMARY
as of September 30, 2018

Investment Composition - By Type	<u>Bank Balances</u>	Investment Composition - By Maturity	<u>Bank Balances</u>
Cash	5,875,825	Liquid	36,158,680
Money Market	28,284,675	< 1 Year	11,161,924
Commercial Paper	2,991,300	1 - 2 Years	23,655,202
Agencies	47,304,378	2 - 3 Years	14,052,583
Municipal Bonds	572,211	3 - 4 Years	-
		4 - 5 Years	-
Total	<u>85,028,389</u>	Total	<u>85,028,389</u>



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
CASH AND INVESTMENT ACTIVITIES
Quarter Ended September 30, 2018

<u>Agency</u>	<u>Book Balance as of 6/30/2018</u>	<u>Investment Type</u>	<u>Purchased</u>	<u>Matured/Sold</u>	<u>Accrued Interest and Gain/(Loss) on Matured/Sold Assets</u>	<u>Market Value/Statement Balance as of 9/30/2018</u>
US Bank	6,107,656	Cash and Equivalents	16,769,658	17,052,217	-	5,825,097
US Bank Custodial	-	Certificates of Deposit	-	-	-	-
	32,432	Cash and Equivalents	173,232	154,936	-	50,728
	4,962,230	Commercial Paper	-	1,975,649	4,719	2,991,300
	45,217,435	Agencies	2,148,236	-	(61,294)	47,304,378
	572,178	Municipal Bonds	-	-	33	572,211
ADM	20,148,752	American Money Market	16,000,000	8,000,000	135,923	28,284,675
Total Cash and Investments	<u>\$77,040,683</u>		<u>\$ 35,091,126</u>	<u>\$ 27,182,803</u>	<u>\$ 79,382</u>	<u>\$ 85,028,389</u>

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
INVESTMENT HOLDINGS
as of September 30, 2018

Institution / Product	Credit Rating	Type	Face	Yield to Maturity	Date Purchased	Market Value
ADMC						
Money Market	insured		<u>\$ 28,284,675</u>	0.90%		<u>\$ 28,284,675</u>
Total ADMC			<u>\$ 28,284,675</u>			<u>28,284,675</u>
US Bank						
Cash owed for settlements						
First Amer Govt Oblig Fund			<u>\$ 50,728</u>			<u>50,728</u>
			<u>-</u>			<u>-</u>
			<u>50,728</u>			<u>50,728</u>
Corporate Short Term Obligations						
Bank of Tokyo Missubishi C P	A-1	CP	1,000,000	2.05%	1/16/2018	999,310
ING US Funding LLC C P	A-1	CP	1,000,000	2.60%	4/19/2018	993,120
BNP Paribas NY Branch C P	A-1	CP	1,000,000	2.07%	1/22/2018	998,870
			<u>-</u>			<u>-</u>
Total Corp Short Term Obligation			<u>3,000,000</u>			<u>2,991,300</u>
US Government Issues						
FHLB	Aaa/AA+		2,500,000	0.93%	6/2/2016	2,474,600
FHLB	Aaa/AA+		1,950,000	1.07%	9/9/2016	1,918,410
FNMA	Aaa/AA+		1,500,000	0.93%	7/29/2016	1,478,955
FNMA	Aaa/AA+		2,000,000	1.05%	8/31/2016	1,971,180
FNMA	Aaa/AA+		600,000	1.52%	2/24/2017	589,740
FNMA	Aaa/AA+		1,050,000	1.50%	8/1/2017	1,026,102
FNMA	Aaa/AA+		750,000	2.82%	4/12/2018	742,373
FNMA	Aaa/AA+		715,000	2.76%	6/22/2018	711,547
FHLMC	Aaa/AA+		2,000,000	0.96%	7/19/2016	1,973,680
FHLMC	Aaa/AA+		1,000,000	1.49%	4/19/2017	978,670
US Treasury	Aaa/AA+		3,000,000	1.41%	12/2/2016	2,958,870
US Treasury	Aaa/AA+		1,500,000	1.49%	1/4/2017	1,470,945
US Treasury	Aaa/AA+		2,550,000	1.56%	2/1/2017	2,501,397
US Treasury	Aaa/AA+		1,825,000	1.47%	4/3/2017	1,785,434
US Treasury	Aaa/AA+		2,550,000	1.45%	8/31/2017	2,481,660
US Treasury	Aaa/AA+		1,300,000	1.76%	11/7/2017	1,266,837
US Treasury	Aaa/AA+		2,250,000	1.99%	12/1/2017	2,196,563
US Treasury	Aaa/AA+		2,075,000	2.05%	1/2/2018	2,005,861
US Treasury	Aaa/AA+		875,000	2.40%	2/16/2018	839,764
US Treasury	Aaa/AA+		2,000,000	2.97%	4/5/2018	1,923,440
US Treasury	Aaa/AA+		50,000	1.63%	3/16/2017	48,803
US Treasury	Aaa/AA+		2,050,000	2.42%	5/22/2018	2,002,830
US Treasury	Aaa/AA+		2,275,000	2.81%	6/1/2018	2,224,177
US Treasury	Aaa/AA+		2,525,000	1.58%	10/4/2017	2,472,127
US Treasury	Aaa/AA+		3,675,000	1.55%	6/29/2017	3,601,206
US Treasury	Aaa/AA+		1,550,000	1.61%	7/6/2017	1,517,187
US Treasury	Aaa/AA+		2,150,000	2.76%	9/10/2018	2,142,024
			<u>-</u>			<u>-</u>
Total Agencies			<u>48,265,000</u>			<u>47,304,378</u>
Municipals Issues						
Wisconsin ST	Aa2/AA	Muni	355,000	1.00%	7/12/2016	351,979
Wisconsin ST	Aa3/AA-		<u>225,000</u>	1.73%	5/2/2017	<u>220,232</u>
Total Municipal Bonds			<u>580,000</u>			<u>572,211</u>
Total US Bank			<u>51,895,728</u>			<u>50,918,617</u>
Totals			<u>\$ 80,180,403</u>			<u>\$ 79,203,292</u>

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MEMO

To: Patrick Fuller, Assembly Chief Clerk
Jeff Renk, Senate Chief Clerk
From: Mark R. Hogan, Secretary and CEO
CC: WEDC Board of Directors
Date: November 20, 2018

met

Re: WEDC Calendar Year 2019 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 20, 2018, identifying the economic development projects WEDC intends to develop and implement during calendar year 2019 (CY19).

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 2019 (FY19) Operations Plan and Budget was approved by the Board on July 11, 2018]. A copy of the plan is available at wedc.org/inside-wedc/transparency and encompasses the activities WEDC will undertake during the first six months of CY19. WEDC will also begin its annual planning process to determine which economic development programs and operations will be incorporated into the Fiscal Year 2020 (FY20) Operations Plan and Budget.

FY19 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 divisional leaders 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 FY19 operations 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 CY19, 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

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

Community and Economic Opportunity: Celebrating shared spaces and common ground. In FY19 we will:

- Increase minority and underserved business expansion through microlending throughout the state via Main Street and Connect Communities.
- Support community redevelopment efforts through the Community Development Investment and Idle Site Redevelopment grants.
- Partner with RPCs and other regional entities to ensure preparedness to deploy the Disaster Recovery Microloan program.
- Give special attention to the challenges facing rural communities throughout the state by modifying existing program guidelines to make funding more accessible to communities within rural counties.

Brand Development and Management: Telling the Wisconsin story. In FY19 we will:

- Develop, manage and deliver compelling brand messages highlighting Wisconsin's unique economic assets.
- Continue collaborating with the Wisconsin Department of Tourism, the Wisconsin Department of Workforce Development, the Wisconsin Department of Veterans Affairs and the Wisconsin Department of Military Affairs, in our multi-faceted marketing campaign to promote the unmatched opportunities Wisconsin offers for career and personal fulfillment.
- Support industry, partner, and economic development events through investment and involvement to connect with audiences looking to startup, grow or relocate operations in Wisconsin.

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Strategic Economic Competitiveness: Fostering an environment of success for our industries and their supporting workforce. In FY19 we will:

- Increase workforce and talent development through the Workforce Training Grant program and financially supporting the INSPIRE license through the Regional Economic Development Organizations to provide statewide access to businesses.
- Increase the number of FDI expansion and attraction projects, with a focus on Wisconsin's key industry clusters and key geographies, including Western Europe, Canada, and China.
- Continue our partnership with the University of Wisconsin System with a renewed focus on talent pipeline and workforce needs with the jointly funded Talent Initiatives Director.
- Leverage our strong partnerships with industry and academia to increase the number of Centers of Excellence in the state.

Business Development: Helping companies start up, grow and reach new markets. In FY19 we will:

- Engage local partners outside of Wisconsin's major metro areas in supporting startups and entrepreneurs.
- Build Wisconsin's export community by strengthening Wisconsin's export partnerships and by increasing Wisconsin companies' export skills.
- Increase the number of Certified In Wisconsin business development sites across the state.
- Build a statewide digital entrepreneurship support platform.

Operational and Fiscal Excellence: Building confidence by maintaining a commitment to performance and accountability. In FY19 we will:

- Reorganize the Credit and Risk Division into two teams focusing on award underwriting and award servicing respectively.
- Implement lean training and processes throughout the organization.
- Develop and implement award processing systems through a portalized environment.

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FY20 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 operating plan is collaborative to allow for input from staff, partners, WEDC Board members, and stakeholders, and aligns with WEDC's Catalysts of Economic Growth. Leadership expects to begin to craft the FY20 Operations 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 FY20 Operations Plan and Budget is expected to be presented for review to the Board's Budget and Finance Committee and then forwarded for approval by the full Board at WEDC's Annual Board of Directors meeting scheduled for July 2019.

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 <https://wedc.org/> for up-to-date information on all WEDC's programs, initiatives and activities.

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MEMO

To: WEDC Board of Directors
From: Erika Julsrud
Date: 11-20-2018

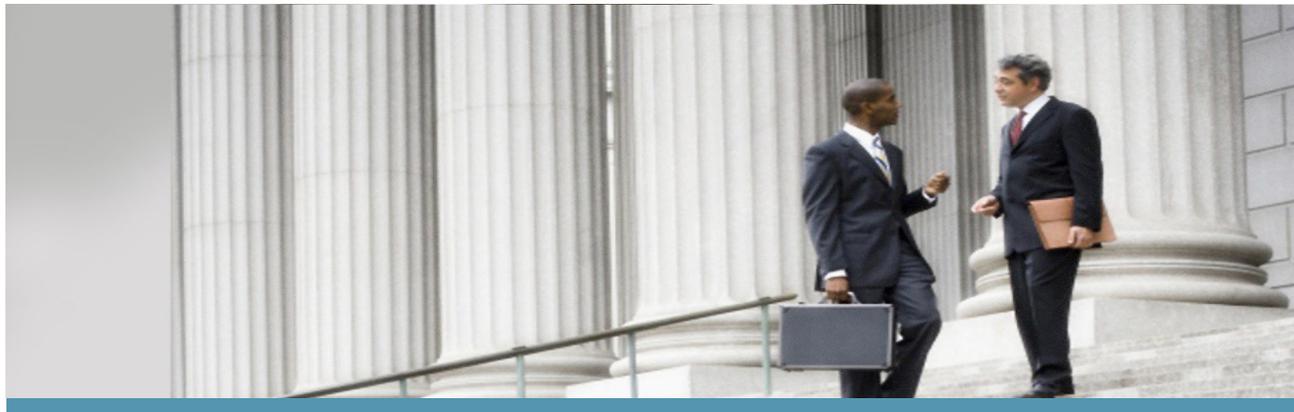
Re: Summary of Previous Audit Committee Meetings

November 9, 2018

The Committee reviewed and approved a recommendation to the Board of Directors regarding the Audit of Annual Performance Measurement for WEDC Awards.

The Committee reviewed and approved a recommendation to the Board of Directors regarding the year end Comprehensive Annual Financial Report (CAFR).

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Professional Services –

Verification of Annual Performance
Measurements for WEDC Awards



**Wisconsin Economic
Development Corporation**



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OVERVIEW & SCOPE

OVERVIEW

WEDC has engaged CLA to perform an adequate sample selection on a semi-annual basis, and verify, through source documentation obtained directly from selected Awardees, that the information provided by the Awardee to WEDC, under both performance reports and compliance/workbook reports, is accurate and complete.

SCOPE

The scope of the engagement included the following:

- Selection of awardees that provided performance reports for the Fiscal Year (FY) 2017
- Request awardees to provide source documentation to support the information on the Performance report and Compliance Workbook.
- Assess whether the source documentation supported the information reported to WEDC



SELECTION METHODOLOGY – FY2017

For FY2017, the annual review period methodology was performed, whereby one sample selection was used for entire year. Refer below for information regarding sample selection methodology and test sample quantities.

POPULATION OF PERFORMANCE REPORTS FOR FY2017

For FY2017, there were 1,234 Performance Reports received from awardees. This resulted in 125 performance reports selected for review. Compliance Workbooks of 46 were selected, representing the Awardees that also had a compliance workbook requirement.

SELECTION QUANTITY

Awardees – 1,234 Performance Reports

- 125 Awardees were selected (approximately 10%)
- Compliance Workbooks were selected for selected Awardees that also had a compliance workbook requirement

Categories for Selection

- Select Program – Enterprise Zone selected by WEDC
 - Has 17 awardees – with Performance reports and Compliance workbooks
 - Spread out over three years – 6 for annual review period and 3 per semi-annual period
- One Awardee--One program – with Performance report
- Multiple Awardees--Balance of awardees
 - Selections to include at least one awardee from each applicable program approved by WEDC



SELECTION METHODOLOGY – FY2017 continued

Categories for Selection – Table

Category	Quantity Selected	Quantity Selected	Overall Quantity
	<u>Performance</u>	<u>Compliance</u>	
Select Program	6	6	12
One Awardee (a)	1	-	1
Multiple Awardee (b)	118 (consisting of)	40 (consisting of)	158
>\$ Threshold	83 (c)	33 (d)	
<\$ Threshold	35 (c)	7 (d)	
TOTAL	125	46	171

- a) Quantity may be increased – to ensure following achieved over three year review period:
 Selection of Programs with only one awardee
 Selection of one awardee from each program
- b) Quantity adjusted based on total of Select Program and One Awardee quantities.
- c) Quantity by Dollar threshold (\$750k) split: >\$ Threshold (70%) and <\$ Threshold (30%).
- d) Selection of Compliance Workbooks for awardees is based on awardees selected in a Program that have both Performance and Compliance.



FY2017 POPULATION AND TEST SAMPLE SELECTION

Below is the population split between the Select Program (EZ) and the Other Programs.

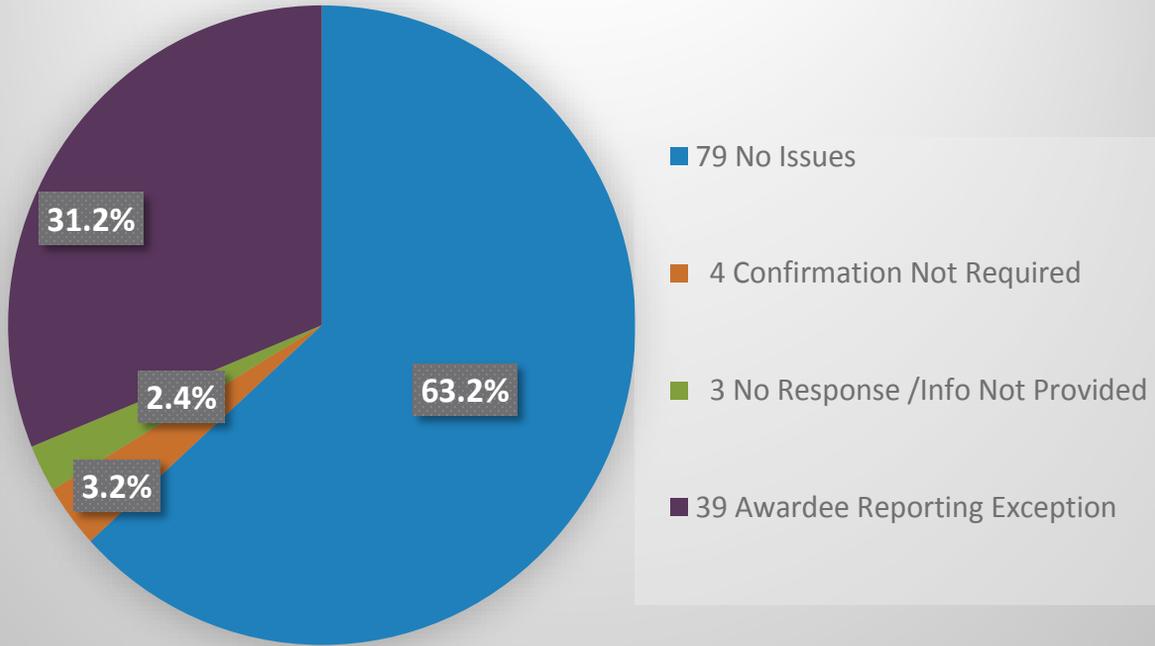
Population				Performance Report Selections				Compliance Report Selections
Program	Awardees By Program	Split by \$		Split by \$		One Program	Total	
		>\$750k	<\$750k	>\$750k	<\$750k			
EZ – Select	17	6		6			6	6
BF	71	4	67	3	3		6	
BOLF	41	19	22	10			10	
BREI	28	11	17	7	2		9	
BTC	52	9	43	4	2		6	6
CB	40	0	40		1		1	
CC	29	1	28	1			1	
CDI	43		43		4		4	
CMAG	4		4		1		1	
DOZ	9	3	6	1			1	
EMG	4		4		1		1	
ETC	280	44	236	16	4		20	20
EXTECH	1		1			*		
FIF	2		2		1		1	
GEDL	1		1			1	1	
HTC **	13	3	10					
HTCQ **	2	2						
IMAG	60		60		1		1	
ISR	24	12	12	5	1		6	
JTC	81	38	43	13	1		14	14
LEG	2		2		1		1	

* One Awardee Program - Not Selected – Review of Awardee to be performed in subsequent years

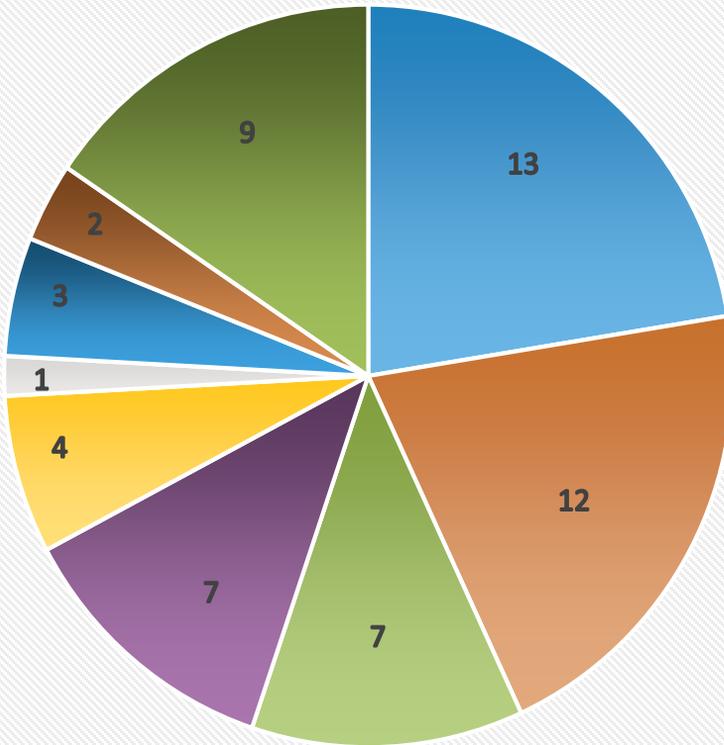
** Exempt Program – Not Selected for review purposes, but initially included in population quantity



Results Recap - 125 Awardees



RESULTS RECAP – EXCEPTION TYPES



- Performance Report - Jobs
- Performance Report - Cap Ex Amount
- Performance Report - Cap Ex Selections \$
- Performance Report - Cap Ex Selections #
- Performance Report - Other Expenditures
- Performance Report - Training
- Performance Report - QNBV WI Employee %
- Performance Report - Other
- Compliance Workbook - Jobs

SUMMARY OF AWARDEE VARIANCES

A	B	C	D	E	F	G	H	I	J
39 Award Variances by Attribute Tested									
				(C+D)		(E÷F)	(D÷F)		(I÷F)
		#	#	#	#	%	%	# >5%	% >5%
		Positive	Negative	Total	Awards	Total	Negative	Negative	Negative
Report Type	Attribute Tested	Variance	Variance	Variance	Tested	Variance	Variance	Variance	Variance
Performance	Jobs	8	5	13	58	22%	9%	3	5%
Performance	Cap Ex Amount	7	5	12	52	23%	10%	2	4%
Performance	Cap Ex Selection \$	0	7	7	52	13%	13%	6	12%
Performance	Cap Ex Selection #	0	7	7	52	13%	13%	7	13%
Performance	Other Expenditures	1	3	4	10	40%	30%	3	30%
Performance	Training	1	0	1	3	33%	0%	0	0%
Performance	QNBV - WI %	3	0	3	15	20%	0%	0	0%
Performance	Other	0	2	2	6	33%	33%	1	17%
Performance	Pass Though Assisted	0	0	0	3	0%	0%	0	0%
Workbook	Jobs	5	4	9	42	21%	10%	4	10%
Workbook	Cap Ex \$	0	0	0	6	0%	0%	0	0%
Workbook	Cap Ex #	0	0	0	6	0%	0%	0	0%
Workbook	Training \$	0	0	0	2	0%	0%	0	0%
Workbook	Training #	0	0	0	2	0%	0%	0	0%
Workbook	Supply Chain \$	0	0	0	1	0%	0%	0	0%
Workbook	Supply Chain #	0	0	0	1	0%	0%	0	0%
		25	33	58	311	19%	11%	26	8%



CONCLUSION

Sixty-three percent (63.2%) of the Awardees provided the requested documentation and had no issues. Three percent (3.2%) had either paid off their loan, withdrew from the contract or had their contract revoked. Another two percent (2.4%) did not respond or responded but did not provide the information requested. The remaining thirty-one percent (31.2%) provided documentation but had reporting exceptions.

The awardees that either did not respond, responded but did not provide the requested information or provided information but had reporting exceptions, is a total that needs to decrease over time. It is apparent that some Awardees appear to have taken their reporting of the annual performance measurements for WEDC Awards in a less than critical manner. In other cases, the awardees clearly made a significant effort to provide the requested information and the information they provided was very close to what was requested. We do need to take into consideration that this is the first audit for these awardees. Their misunderstanding of what is needed to be reported, how to report the information, or their lack of retaining the data information used for its preparation, could cause the variances. This review was unable to discern the awardee reasons.

It is the intent of this report to present the results identified to allow WEDC management with the opportunity to assess and determine whether the awardees require instruction(s) and follow-up activities regarding preparation of their Annual Performance Measurements.



ACKNOWLEDGMENT

We would like to acknowledge and thank the WEDC personnel with whom we interacted. The time, effort, and discussions that they provided were instrumental in our understanding and providing the necessary information.

We appreciate this opportunity to serve you. Should you have any questions or concerns regarding this report, please feel free to contact us.

Jacob Lenell, CPA
Principal, Public Sector
CLA
jacob.Lenell@CLAconnect.com

Bill Judd, MBA
Senior Director and Wisconsin Client Leader
Consulting & Accounting Solutions Team
CLA
bill.judd@CLAconnect.com



ADDENDUM - AWARD PROGRAMS

The award programs for which awardees provided Performance Reports and Compliance Workbooks for Fiscal Year 2017 (FY17) are listed below.

ACRONYM	PROGRAM NAME
EZ	Enterprise Zone
BF	Brownfield Redevelopment Financial Assistance
BOLF	Business Opportunity Loan Fund
BREI	Business Expansion and Retention Investment
BTC	Business Development Tax Credits
CB	Capacity Building
CC	Capital Catalyst
CDI	Community Development Investment
CMAG	Collaborative Market Access Grant
DOZ	Development Opportunity Zones
EMG	Entrepreneurial Micro-Grant
ETC	Economic Development Tax Credits
EXTECH	ExporTech
FIF	Forward Innovation Fund
GEDL	Economic Diversification
IMAG	International Market Access Grant
ISR	Idle Industrial Sites Redevelopment
JTC	Jobs Tax Credit
LEG	Legislative Award
MBD	Minority Business Development
MED	Major Economic Development
MRLFE	Minority Business Development Revolving Loan Fund



ADDENDUM - AWARD PROGRAMS - continued

ACRONYM	PROGRAM NAME
QNBV	Qualified New Business Venture
RED3	Rural Economic Development Microloan
REDZ	Enterprise Development Zone
SA	Seed Accelerator
SAG	Site Assessment Grants
SBIR	Small Business Innovation Research
SPLF	Special Project Loan Fund
TDF	Technology Development Fund
TDL	Technology Development Loan
TIP	Targeted Industry Projects
TVF	Technology Venture Fund Loan
WDF	Wisconsin Development Fund
WTG	Workforce Training

Exempt Programs – Not included as part of the Testing Population

SEP	State Energy Program
CERLF	Manufacturing Clean Energy Revolving Loan Fund
HTC	Historic Preservation Tax Credit
HTCQ	Historic Preservation Tax Credit – Qualified Rehab

Exempt Programs are non-WEDC programs that are only serviced by WEDC (SEP and CERLF) or that have no ongoing reporting requirements to test or whose measurements are verified through another state entity



MEMO

TO: WEDC Board of Directors

FROM: Brian Nowicki, CFO

CC: Mark Hogan, CEO; Tricia Braun, COO

RE: Verification of Annual Performance Measurements for WEDC Awards

DATE: November 20, 2018

The Verification of Annual Performance Measurements for WEDC Awards (AUP Report), as prepared by Clifton Larson Allen (CLA), encompasses some terminology and outcomes that can be clarified.

Below are a few definitions and observations that I hope will assist you when reviewing the report.

1) Performance Report vs Workbook/Compliance Report

- **A Performance Report** is an annual report submission from the awardee and is used to populate the WEDC ARED database. The measurement data being reported at this consolidated level is not used to determine any award/verification amount but is used to track WEDC-wide operating goals (e.g. total leverage ratio, jobs created, jobs retained, and businesses, communities, and partners assisted).
- **A Workbook/Compliance Report** is also an annual report submission from the awardee and is used to determine tax credit eligibility or loan forgiveness. This data is provided on a detailed employee level for jobs, and detailed expenditure level for capital expenditures, supply chain, or training incentives.

2) Statute Requirement vs. Additional Procedures Requested

- The annual sample testing of Performance Reports for Loans and Grants is required by State Statute.
- The annual sample testing of Performance Reports AND Workbooks for Tax Credit Programs are not required, but they have been included in the scope of the Agreed Upon Procedures (AUP) as part of our continued verification efforts.

3) Result Observations Overall

- Of all performance and workbook attributes tested, 19% had exceptions.
- Isolating for exceptions that had a negative effect on reported outcomes (e.g. jobs or capital expenditures that were lower than originally reported), the exception rate falls to 11%.
- Isolating further for exceptions that had more than a 5% negative effect on reported outcomes, and the exception rate falls to 8%.

4) Result Observations Workbooks Only

- Isolating for only workbook testing (i.e. reports whose data can lead to changes in tax credit verification or loan forgiveness amounts), 21% had exceptions related to job attributes.
- Isolating for exceptions that could have a negative effect on the reported outcomes, the jobs exception rate falls to 10%.

- There were no exceptions reported for cap. ex., training, or supply chain.

5) Next Steps – Performance Reports

- For all exceptions related to performance reporting, adjustments will be made to the ARED database for the new values.
 - The total net effect on jobs reported is a net loss of 11 jobs for the 58 awards tested.
 - The total net effect of capital expenditures reported is a positive \$2.6 million for the 52 awards tested.

6) Next Steps – Workbooks

- For all exceptions related to workbook reporting, WEDC staff will follow up to determine final resolution, which will likely result in at least a partial revocation for the 4 awardees that had negative job exceptions.
 - The total net effect on jobs reported is a net loss of 92 jobs for the 10 awards tested.



November 1, 2018



**Professional Services –
Verification of Annual Performance
Measurements for WEDC Awards**

Wisconsin Economic Development Corporation

Prepared by:

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Wealth Advisors, LLC, an SEC-registered investment advisor.



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Milwaukee, WI 53226
414-476-1880
CLAconnect.com

November 1, 2018

Mr. Brian Nowicki
Chief Financial Officer
Wisconsin Economic Development Corporation
201 W. Washington Avenue
Madison, WI 53703

Dear Brian:

On behalf of CliftonLarsonAllen LLP ("CLA") and the members of our client service team, we are pleased to present our report for helping the Wisconsin Economic Development Corporation ("WEDC") meet its need for internal audit services.

Our review was performed to verify the annual performance measurements for WEDC Awards by reviewing source documentation obtained directly from the Awardee. Information provided by the Awardee was used to determine whether the information reported to WEDC, under both performance reports and compliance workbooks, is accurate and complete.

The results of our procedures are presented for WEDC's review.

We would like to acknowledge and thank the WEDC personnel with whom we interacted. The time, effort, and discussions that they provided were instrumental in our understanding and providing the necessary information.

We appreciate this opportunity to serve you. Should you have any questions or concerns regarding this report, please feel free to contact me.

Sincerely,
CliftonLarsonAllen LLP

Bill Judd

Bill Judd, MBA
Senior Director
262-370-4423
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OBJECTIVE

The objective of this engagement was to determine if the information provided by the Awardee to WEDC under both performance reports and compliance workbooks, is accurate and complete, by comparing it to source documentation obtained directly from the Awardee.

SCOPE

The scope of the engagement included the following:

- Selection of awardees that provided performance reports for the FY 2017
- Request awardees to provide source documentation to support the information on the Performance report and Compliance Workbook.
- Assess whether the source documentation supported the information reported to WEDC

AWARD PROGRAM POPULATION

The award programs for which awardees provided Performance Reports and Compliance Workbooks for fiscal year 2017 are listed below.

ACRONYM	PROGRAM NAME
EZ	Enterprise Zone
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QNBV	Qualified New Business Venture
RED3	Rural Economic Development Microloan
REDZ	Enterprise Development Zone
SA	Seed Accelerator
SAG	Site Assessment Grants

SBIR	Small Business Innovation Research
SPLF	Special Project Loan Fund
TDF	Technology Development Fund
TDL	Technology Development Loan
TIP	Targeted Industry Projects
TVF	Technology Venture Fund Loan
WDF	Wisconsin Development Fund
WTG	Workforce Training

Exempt Programs – Not included as part of the Testing Population

- SEP State Energy Program
- CERLF Manufacturing Clean Energy Revolving Loan Fund
- HTC Historic Preservation Tax Credit
- HTCQ Historic Preservation Tax Credit – Qualified Rehab

Exempt Programs are non-WEDC programs that are only serviced by WEDC (SEP and CERLF) or that have no ongoing reporting requirements to test or whose measurements are verified through another state entity (HTC and HTCQ).

SAMPLE SELECTION METHODOLOGY – OVERALL

The following information illustrates the overall approach taken for determining a sample selection. For the FY17 2017, refer to the following ‘Sample Selection Methodology – FY17’ section.

SAMPLE SELECTION

A sample of ten percent of the Performance Reports will be selected for the fiscal year reviewed. The quantity will be adjusted based on the number of awardees’ Performance Reports received for the Fiscal Year (FY).

SAMPLE SELECTION PARAMENTERS – OVER THREE YEAR PERIOD

The parameters will encompass:

- One awardee per program, at a minimum.
- All awardees from Select Program(s) as directed/approved by WEDC, such as Enterprise Zone.
- Awardee will be selected only once during the three year period, unless otherwise directed by WEDC.

SAMPLE SELECTION REVIEW FREQUENCY

For the fiscal year, WEDC will determine whether sample review frequency is semi-annual or annual basis.

Semi-annual review periods

- Sample quantity will be split into two semi-annual selections, approximating 5% each.

Annual review period

- Sample quantity would consist of one selection for the entire year.



SELECTION CATEGORIES GROUPS

SELECT PROGRAMS

As directed/approved by WEDC management, all awardees in the selected program will be reviewed on a 100% basis over the course of the three year period. This will include Performance reports, and when applicable, Compliance workbooks.

Quantity per review period will be evenly spread out over three years (six semi-annual review periods or three annual review periods).

ONE AWARDEE PROGRAMS

Programs with one awardee will be selected during the three-year period.

The selection of programs with one awardee will be judgmentally performed – as to which year the review will be performed.

MULTIPLE AWARDEE PROGRAMS

Program with multiple awardees are split into two groups. The groups were separated based on the dollar threshold of \$750,000 in awardee expense. Awardees from each group will be randomly selected, utilizing a random number generator. The quantity selected within each group will be split to focus 70% on the group above the \$750,000 threshold and 30% selected from the group below the \$750,000 threshold. These percentages are guidelines, and may not always be met based on population sample.

The total quantity selected for the Multiple Awardee Programs will be the difference between total quantity required to obtain 10% coverage for the period, less the quantity selected from both the select program category and the one awardee category for the period.

AWARDEE SELECTION –THREE-YEAR REVIEW PERIOD

Once an awardee is selected for review, the awardee will not be used in future semi-annual population selections during the three-year period, unless selected by WEDC as a result of material exceptions discovered as part of previous testing.

SAMPLE SELECTION – MONITORING

Selection monitoring will be performed and updated after each semi-annual (or annual) period, to achieve the goals indicated in the above “SAMPLE SELECTION – OVER THREE YEAR PERIOD”.

SAMPLE SELECTION – AWARDEEs

Required – over three period

- Twice a year
- Six times over three years

Select Program

- Judgmental selection of the Awardees – split evenly over the six semi-annual test periods

One Awardee Program

- Judgmental selection as to semi-annual review period

Multiple Awardee Programs – Two Parts (split by \$750k dollar threshold)

- Randomly selected within each part (i.e., awardees > \$ threshold and awardees < \$ threshold)
- Awardees (not previously reviewed) in each part will be assigned a numeric value will be assigned a numeric value (i.e., 1, 2, 3, etc.). Then, a random number generator will select the balance of the awardees for that specific semi-annual review period.

SAMPLE SELECTION METHODOLOGY – FY17

For FY17, the annual review period methodology was selected. Refer below for information regarding the sample selection methodology and test sample quantities.

POPULATION OF PERFORMANCE REPORTS FOR FY17

For FY17, there were 1,234 Performance Reports received from awardees. This resulted in 125 performance reports selected for review. Compliance Workbooks of 46 were selected, representing the Awardees that also had a compliance workbook requirement.

SELECTION QUANTITY

Awardees – 1,234 Performance Reports

- 125 Awardees were selected (approximately 10%)
- Compliance Workbooks were selected for selected Awardees that also had a compliance workbook requirement

Categories for selection

- Select Program – Enterprise Zone selected by WEDC
 - Has 17 awardees – with Performance reports and Compliance workbooks
 - Spread out over three years – 6 for annual review period and 3 per semi-annual period
- One Awardee--One program – with Performance report
- Multiple Awardees--Balance of awardees
 - Selections to include at least one awardee from each applicable program approved by WEDC

Category	Quantity Selected	Quantity Selected	Overall Quantity
	<u>Performance</u>	<u>Compliance</u>	
Select Program	6	6	12
One Awardee (a)	1	-	1
Multiple Awardee (b)	118 (consisting of)	40 (consisting of)	158
>\$ Threshold	83 (c)	33 (d)	
<\$ Threshold	35 (c)	7 (d)	
OVERALL Total	125	46	171



- a) Quantity may be increased – to ensure following achieved over three year review period:
 - Selection of Programs with only one awardee
 - Selection of one awardee from each program
- b) Quantity adjusted based on total of Select Program and One Awardee quantities.
- c) Quantity by Dollar threshold (\$750k) split: >\$\$ Threshold (70%) and <\$\$ Threshold (30%).
- d) Selection of Compliance Workbooks for awardees is based on awardees selected in a Program that have both Performance and Compliance.

FY17 POPULATION AND TEST SAMPLE SELECTION

Below is the population split between the Select Program (EZ) and the Other Programs.



Population				Performance Report Selections				Compliance Report Selections
		Split by \$		Split by \$				
Program	Awardees By Program	>\$750k	<\$750k	>\$750k	<\$750k	One Program	Total	
EZ – Select	17	6		6			6	6
BF	71	4	67	3	3		6	
BOLF	41	19	22	10			10	
BREI	28	11	17	7	2		9	
BTC	52	9	43	4	2		6	6
CB	40	0	40		1		1	
CC	29	1	28	1			1	
CDI	43		43		4		4	
CMAG	4		4		1		1	
DOZ	9	3	6	1			1	
EMG	4		4		1		1	
ETC	280	44	236	16	4		20	20
EXTECH	1		1			*		
FIF	2		2		1		1	
GEDL	1		1			1	1	
HTC **	13	3	10					
HTCQ **	2	2						
IMAG	60		60		1		1	
ISR	24	12	12	5	1		6	
JTC	81	38	43	13	1		14	14
LEG	2		2		1		1	
MBD	13		13		1		1	
MED	2	1	1			*		
MRLFE	9		9		1		1	
QNBV	181	149	32	15			15	
RED3	1		1			*		
REDZ	5	1	4	1			1	
SA	43		43		1		1	
SAG	43		43		4		4	
SBIR	5	5		1			1	
SPLF	3		3		1		1	
TDF	2		2		1		1	
TDL	61	3	58	2			2	
TIP	41	10	31	3	1		4	
TVF	7		7		1		1	
WDF	1	1		1			1	
WTG	13		13		1		1	
Total	1234	333	901	89	35	1	125	46

* One Awardee Program - Not Selected – Review of Awardee to be performed in subsequent years

** Exempt Program – Not Selected for review purposes, but initially included in population quantity



RESULTS

Results from the FY17 review noted the following:

RECAP

125 – Awardee Selections – with an associated 46 Compliance Workbooks

79 - No Issues

- 18 Confirmation not required – documentation was previously provided and reviewed to substantiate the Performance Report (e.g., Independent Audit Report)
- 61 Awardee information confirmed Performance Report (and Compliance Workbook where applicable)

4 - Awardee confirmation of information not required and not reselected.

During review procedures, it was determined:

- 2 Awardees paid off the Loan
- 1 Awardee withdrew from the Contract - All tax credits revoked
- 1 Awardee's contract was revoked.

3 - No Response / Information Not Provided

- 1 No Response
Awardee did not respond to confirmation requests for information
- 2 Information Not Provided
Awardee did not provide information as requested, which precluded the ability to determine whether source documentation supports information reported to WEDC.

39 - Awardee Reporting Exception

Awardee information provided does not fully support amounts / quantities reported.

For the Awardee Reporting Exception, following is a breakdown for the exception types noted. Awardee may have had more than one type noted during review.

13 - Performance Report – Jobs

Awardee payroll information does not fully support the job's total reported. An exception was not recognized when the Awardee's payroll information support was within one to two positions (plus/minus) of the quantity reported.

12 - Performance Reports – Cap Ex Amount

Awardee Cap Ex amount does not fully support the amount reported. An exception was not recognized when Awardee's Cap Ex information support was within \$10,000 (plus/minus) of the amount reported.

7 – Performance Report – Cap Ex Selections \$

Awardee Capital Expenditure source documents does not fully support selected expenditures.

7 – Performance Report – Cap Ex Selections #

Awardee Capital Expenditure quantity was not fully supported.

4 - Performance Report – Other Expenditures

Awardee Expenditure detail does not fully support amount reported.

1 - Performance Report – Training

Awardee Training information does not fully support the employee total reported.

3 - Performance Report – QNBV WI Employee %

Awardee did support the percentage of 51% plus for employees in Wisconsin, except that Awardee provided source documentation for a greater quantity of employees in WI than reported.

2 - Performance Report – Other

Awardee provided source documents that does not fully support the information reported.

9 - Compliance Workbook – Jobs

Awardee payroll information does not fully support employee information reported.

CONCLUSION

Sixty-three percent (63.2%) of the Awardees provided the requested documentation and had no issues. Three percent (3.2%) had either paid off their loan, withdrew from the contract or had their contract revoked. Another two percent (2.4%) did not respond or responded but did not provide the information requested. The remaining thirty-one percent (31.2%) provided documentation but had reporting exceptions.

The 31% total that either did not respond, responded but did not provide the requested information or provided information but had reporting exceptions, is a total that needs to decrease over time. It is apparent that some Awardees appear to have taken their reporting of the annual performance measurements for WEDC Awards in a less than critical manner. In other cases, the awardees clearly made a significant effort to provide the requested information and the information they provided was very close to what was requested. We do need to take into consideration that this is the first audit for these awardees. Their misunderstanding of what is needed to be reported, how to report the information, or their lack of retaining the data information used for its preparation, could cause the variances. This review was unable to discern the awardee reasons.

It is the intent of this report to present the results identified to allow WEDC management with the opportunity to assess and determine whether the awardees require instruction(s) and follow-up activities regarding preparation of their Annual Performance Measurements.

SUMMARY OF EXCEPTIONS – VARIANCE %

Summary of the 39 Award Variances by Attribute Tested

A	B	C	D	E	F	G	H	I	J
				(C+D)		(E÷F)	(D÷F)		(I÷F)
		#	#	#	#	%	%	# >5%	% >5%
		Positive	Negative	Total	Awards	Total	Negative	Negative	Negative
<u>Report Type</u>	<u>Attribute Tested</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>	<u>Tested</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>	<u>Variance</u>
Performance	Jobs	8	5	13	58	22%	9%	3	5%
Performance	Cap Ex Amount	7	5	12	52	23%	10%	2	4%
Performance	Cap Ex Selection \$	0	7	7	52	13%	13%	7	13%
Performance	Cap Ex Selection #	0	7	7	52	13%	13%	6	12%
Performance	Other Expenditures	1	3	4	10	40%	30%	3	30%
Performance	Training	1	0	1	3	33%	0%	0	0%
Performance	QNBV - WI %	3	0	3	15	20%	0%	0	0%
Performance	Other	0	2	2	6	33%	33%	1	17%
Performance	Pass Though Assisted	0	0	0	3	0%	0%	0	0%
Workbook	Jobs	5	4	9	42	21%	10%	4	10%
Workbook	Cap Ex \$	0	0	0	6	0%	0%	0	0%
Workbook	Cap Ex #	0	0	0	6	0%	0%	0	0%
Workbook	Training \$	0	0	0	2	0%	0%	0	0%
Workbook	Training #	0	0	0	2	0%	0%	0	0%
Workbook	Supply Chain \$	0	0	0	1	0%	0%	0	0%
Workbook	Supply Chain #	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0%</u>	<u>0%</u>	<u>0</u>	<u>0%</u>
		25	33	58	311	19%	11%	26	8%



SUMMARY OF EXCEPTIONS – INFORMATION

SUMMARY OF EXCEPTIONS				
Award	Award Amount	Program	Awardee Name	INFORMATION
23212	\$18,000,000	EZ	Milwaukee Electric Tool Corporation	Performance Report Capital Expenditure Amount – Awardee reported \$12,194,321 and provided spreadsheet support totaling \$11,559,321.
22333	\$5,500,000	EZ	Trane US Inc.	Compliance Workbook Jobs - 60 employees selected and Awardee support did not x-ref for Six employees for the Compliance attribute: . Residency State Performance Report Capital Expenditure Amount – Awardee reported \$58,452,430 and provided spreadsheet support totaling \$57,449,688.
23404	\$850,000	BTC	Colbert Packaging Corporation	Compliance Workbook Jobs - 10 employees selected and Awardee did not provide support for the Compliance attributes: . Base Hours . Overtime Hours . Hourly Wage (If Applicable) . Period Base Wage . Period Overtime . Employment Start Date . FT/PT status . Residency
23349	\$750,000	BTC	Alliance Laundry Systems, LLC	Performance Report Capital Expenditure Amount – Awardee reported \$12,054,497 and provided spreadsheet support totaling \$12,877,935 Compliance Workbook Jobs - 60 employees selected and Awardee did not provide Compliance attribute support for: . Employee ID/Name . Base Hours . Overtime Hours . Hourly Wage (If Applicable) . Period Base Wage . Period Overtime . Employment Start Date . FT/PT status . Residency



SUMMARY OF EXCEPTIONS

Award	Award Amount	Program	Awardee Name	INFORMATION
23204	\$185,000	BTC	Gardner Pet Group, Inc.	Compliance Workbook Jobs - 10 employees selected and Awardee support not provided for Hourly employees (7) for the Compliance attribute: . Base Hours Worked . Overtime Hours Worked . Hourly Wage . Period Base Wages . Period Overtime
23489	\$75,000	BTC	BoxLogix, LLC	Performance Report Capital Expenditure Selections - sample of nine expenditures selected (\$374,773). Four expenditures were supported (\$278,391). Four were not fully supported (\$96,382) and one was not supported.
20898	\$2,500,000	ETC	Johnson Controls, Inc.	Performance Report Jobs - Awardee reported 1,347 positions and provided support for 1,363 Performance Report Capital Expenditure Amount – Awardee reported \$42,750,519 and provided spreadsheet support totaling \$42,671,834.
22949	\$2,000,000	ETC	Deere & Company	Performance Report Capital Expenditure Amount – Awardee reported \$31,735,002 and provided spreadsheet support totaling \$32,933,822
21674	\$1,967,000	ETC	Green Bay Packaging Inc - Mill Division	Performance Report Capital Expenditure Amount – Awardee reported \$99,309,000 and provided spreadsheet support totaling \$99,411,744
22575	\$1,650,000	ETC	Agropur, Inc	Performance Report Jobs - Awardee reported 163 positions and provided support for 168.



SUMMARY OF EXCEPTIONS

Award	Award Amount	Program	Awardee Name	INFORMATION
22673	\$1,000,000	ETC	4imprint, Inc.	Performance Report Jobs - Awardee reported 757 positions and provided support for 827 Compliance Workbook Jobs - 58 employees selected and Awardee support did not cross-reference for Six employees for the Compliance attribute: . Hours Worked
21888	\$990,000	ETC	Crystal Finishing Systems, Inc	Performance Report Capital Expenditure Amount – Awardee reported \$19,583,797 and provided spreadsheet support totaling \$20,674,091
21287	\$800,000	ETC	SMC, Ltd.	Performance Report Jobs - Awardee reported 884 positions and provided support for 847
23151	\$750,000	ETC	Arclin Surfaces, LLC.	Performance Report Capital Expenditure Selections - sample of forty-five expenditures selected (\$15,359,788). Forty-three expenditures were supported (\$15,054,470) and two expenditures were not supported (\$305,318).
22564	\$642,000	ETC	Thermal Spray Technologies, Inc	Performance Report Jobs - Awardee reported 98 positions and provided support for 72. Compliance Workbook Jobs - 10 employees selected and payroll docs provided did not support the Compliance Attribute for: . Hours Worked - 8 employees . Period Wage - 1 employee
22091	\$2,075,000	JTC	Skyward, Inc.	Compliance Workbook Jobs - 30 employees selected and Awardee support not provided for the thirty for Compliance attribute: . Quarterly Wages - Awardee reported on four month period and not a three month quarterly period. Performance Report Capital Expenditure Selections - sample of 25 expenditures selected (\$34,387,298). Twenty-four expenditures were supported (\$34,354,798) and one expenditure was not t fully supported (\$32,500).



SUMMARY OF EXCEPTIONS				
Award	Award Amount	Program	Awardee Name	INFORMATION
20916	\$2,050,000	JTC	Milwaukee Electric Tool Corporation	<p>Performance Report Capital Expenditure Amount – Awardee reported \$7,773,000 and provided spreadsheet support totaling \$9,583,619</p> <p>Compliance Workbook Jobs - 60 employees selected and Awardee support not provided for Hourly employees with the Compliance attribute: . Hourly Rate (it was a Computed rate of earnings/hours), not actual rate supported by payroll info</p>
22776	\$2,000,000	JTC	Rexnord Corporation	<p>Performance Report Capital Expenditure Selections - sample of 30 expenditures selected (\$1,597,753). Thirty expenditures were not supported (\$1,597,753).</p>
21169	\$1,200,000	JTC	Connecture, Inc.	<p>Performance Report Capital Expenditure Amount – Awardee reported \$1,982,838 and explanation provided indicated that the amount represented an estimate.</p>
21787	\$1,010,000	JTC	Wells Manufacturing, L.P.	<p>Performance Report Other Expenditure Amount - Awardee reported \$342,002 for Workforce Training and provided support for \$345,339</p>
20549	\$1,000,000	JTC	Catalent Pharma Solutions, LLC	<p>Performance Report Capital Expenditure Amount – Awardee reported \$26,596,206 and provided spreadsheet support totaling \$34,620,945</p>
22372	\$570,000	JTC	Rice Lake Weighing Systems	<p>Performance Report Jobs - Awardee reported 454 positions and provided support for 468</p> <p>Performance Report Capital Expenditure Amount - Awardee reported \$9,094,095 and provided spreadsheet support for \$9,013,665. Difference of \$80,430 in Training expenditures</p> <p>Performance Report Capital Expenditure Selections - sample of 35 expenditures selected (\$7,304,345). Thirty-two expenditures were supported. For three expenditures, two were not supported (totaling \$22,082) and one had partial support provided (for \$6,598).</p> <p>Compliance Workbook Jobs - 46 employees selected and payroll docs provided did not support the Compliance Attribute for: . Hourly Rate - it was a Computed rate of earnings/hours.</p>



SUMMARY OF EXCEPTIONS

Award	Award Amount	Program	Awardee Name	INFORMATION
23012	\$1,500,000	BOLF	Monogram Food Solutions, LLC	Performance Report Jobs - Awardee reported 604 positions and provided support for 614 positions. Performance Report Capital Expenditure Selections - sample of 60 expenditures selected (\$5,651,579). Thirty-seven expenditures were supported (\$3,964,114) and twenty-three expenditures were not supported (\$1,615,465).
22142	\$1,000,000	BOLF	Biery Cheese Company	Performance Report Jobs - Awardee reported 88 positions and provided support for 93.
22743	\$1,000,000	BOLF	Canadian American Homes	Performance Report Jobs - Awardee reported 14 positions and provided response indicating zero.
22625	\$1,000,000	BOLF	Expera Specialty Solutions, LLC	Performance Report Jobs - Awardee reported 445 positions and provided support for 544.
21505	\$1,700,000	BREI	Printpack, Inc.	Performance Report Jobs - Awardee reported 300 positions and provided support for 195.
21334	\$750,000	BREI	Fi-Med Management, Inc.	Performance Report Jobs - Awardee reported 24 positions and provided support for 28.
21902	\$2,000,000	QNBV	Pegasus Sustainability Solutions, Inc.	Awardee reported 16 employees (10 in WIS and 6 Out of State), and provided payroll doc supporting 27 employees (21 in WIS and 6 Out of State). Percentage of employees in WI was in excess of 51%, except that Awardee provided source document supporting a greater quantity of employees in WI than reported



SUMMARY OF EXCEPTIONS				
Award	Award Amount	Program	Awardee Name	INFORMATION
22480	\$2,000,000	QNBV	Forward Health Group, Inc	Awardee reported 38 employees (31 in WIS and 7 Out of State), and provided payroll doc supporting 41 employees (34 in WIS and 7 Out of State). Percentage of employees in WI was in excess of 51%, except that Awardee provided source document supporting a greater quantity of employees in WI than reported
21457	\$1,500,000	QNBV	Seven Marine, LLC	Awardee reported 23 employees (19 in WIS and 4 Out of State), and provided payroll doc supporting 25 employees (21 in WIS and 4 Out of State). Percentage of employees in WI was in excess of 51%, except that Awardee provided source document supporting a greater quantity of employees in WI than reported
17506	\$3,000,000	REDZ	Kerry Ingredients & Flavours	Performance Report Jobs - Awardee reported 1,487 positions and provided support for 1,435 Performance Report Capital Expenditure Selections - sample of 35 expenditures selected (\$3,982,481). Twenty-nine expenditures were supported (\$2,677,960) and six expenditures were not supported (\$1,304,521).
23105	\$752,000	TIP	StartingBlock, Inc	Performance Report Other Expenditures Amount - Awardee reported \$1,975,000 and provided explanation indicating that reported amount represented pledged donations and that expenditures totaled \$0.00.
20949	\$500,000	BREI	Wacker Neuson Production Americas LLC	Performance Report Capital Expenditure Amount – Awardee reported \$15,613,802 and provided spreadsheet support totaling \$16,839,575.
23225	\$250,000	CDI	Hurley, City of	Performance Report Capital Expenditures Amount - Awardee reported \$2,161,993 and provided spreadsheet support for \$1,611,162. Awardee used an outside servicer (WipFli) that reviewed \$1,521,997 in expenditure amounts, of which WipFli was able to support \$1,008,951. Overall difference of \$1,153,042 not supported.



SUMMARY OF EXCEPTIONS

Award	Award Amount	Program	Awardee Name	INFORMATION
22293	\$500,000	CDI	Green Bay, City of	Performance Report Other Expenditures Amount - Awardee reported \$17,878,680 and provided attorney letter listing the project expenditure support of \$17,724,539
20946	\$95,365	FIF	Fusion Integrated Solutions, LLC	Performance Report Other Expenditures Amount - Awardee reported \$190,279, and provided support for \$120,652
23304	\$15,000	IMAG-F	VES Environmental Solutions, LLC	Performance Report Other - Awardee reported that grant assisted them in obtaining 2 new contracts valued at \$45,000. Information provided from Awardee indicated they did not have physical contracts other than the signed sales orders, which total to \$41,275.
21425	\$38,026	WTG	Neenah Paper, Inc.	Performance Report Training - Awardee reported 50 employees that received training and provided support for 53 employees





**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION
MADISON, WISCONSIN**

**AUDITOR'S COMMUNICATION TO THE
MEMBERS OF THE BOARD OF DIRECTORS**

For the Year Ended June 30, 2018



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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
MADISON, WISCONSIN
AUDITOR’S COMMUNICATION TO THE
MEMBERS OF THE BOARD OF DIRECTORS
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13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

October 29, 2018

Members of the Board of Directors
Wisconsin Economic Development Corporation
201 W. Washington Avenue
Madison, Wisconsin 53703

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by audit standards. Our communication at the beginning of our audit process along with our questionnaire regarding consideration of fraud in a financial statement audit was sent to you on June 18, 2018.

In addition, auditing standards require the communication of internal control related matters to those charged with governance. Our management letter, as well as a listing of future pronouncements that may affect Wisconsin Economic Development Corporation, are enclosed within this document.

This information is intended solely for the use of the Board of Directors and Management of Wisconsin Economic Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Sikich LLP

Sikich LLP
By: Daniel A. Berg CPA
Partner

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

October 29, 2018

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

We have audited the financial statements of the governmental activities and each major fund of Wisconsin Economic Development Corporation (WEDC) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by WEDC are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2018, except for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions were not modified with respect to this matter. We noted no transactions entered into by WEDC during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting WEDC's financial statements were:

WEDC's estimate of the net pension liability is determined through a series of actuarial calculations, and WEDC's proportionate share of the net pension liability is determined by their share of contributions into the plan. Information regarding the actuarial estimates used in determining WEDC's net pension liability and WEDC's proportionate share of the net pension liability is disclosed in Note IV.A. to the financial statements and the required supplementary information which accompanies the financial statements. WEDC's allowance for doubtful account is also considered a sensitive estimate. The allowance for doubtful accounts contains

the accumulated anticipated amount that WEDC will write-off against its loan balances. The forgivable loans are written off immediately upon execution of the loan document. Other loans are subject to valuation estimates based on their anticipated collectability. The WEDC's estimate of the other postemployment benefit liability is determined through a series of actuarial calculations. Information regarding the actuarial estimates used in determining WEDC's net pension liability and WEDC's proportionate share of the net pension liability is disclosed in Note IV.B. We evaluated key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to WEDC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as WEDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the required supplementary information (RSI) identified in the table of contents that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information identified in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory Section and the Statistical Section, which accompany the financial statements but are not RSI. Such information has 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.

Restriction on Use

This information is intended solely for the use of Board of Directors and Management of Wisconsin Economic Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Sikich LLP

Sikich LLP

By: Daniel A. Berg, CPA

Partner

**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION
MADISON, WISCONSIN**

MANAGEMENT LETTER

June 30, 2018

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

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

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Wisconsin Economic Development Corporation (WEDC) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of WEDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses. In addition we reviewed the status of the recommendations dated October 27, 2017. The status of these recommendations is included in Appendix A. This letter does not affect our report dated October 29, 2018, on the basic financial statements of the WEDC.

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 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 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.

This communication is intended solely for the information and use of the Board of Directors and Management and is not intended to be and should not be used by anyone other than these specified parties.

SiKich LLP

Brookfield, Wisconsin
October 29, 2018

OTHER COMMENTS

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that will impact the WEDC in the future.

GASB Statement No. 81, *Irrevocable Split-interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding presentation of payroll-related measure in RSI, the selection of assumptions and the treatment of deviations, and the classification of payments made by employers to satisfy employee contribution requirements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2016, except for paragraph 7, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 85, *Omnibus 2017* - addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is intended to improve accounting and financial reporting for in-substance defeasances of debt, prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the fiscal year ending April 30, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and aims to enhance comparability of financial statements among governments. This statement also requires additional notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for the fiscal year ending March 31, 2021. Earlier application is encouraged.

GASB Statement No 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, was issued in March 2018 and provides guidance on improving disclosures in the notes to the financial statements related to debt, including direct borrowings and direct placements of debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual

OTHER COMMENTS (Continued)

Future Accounting Pronouncements (Continued)

obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for fiscal years ending June 30, 2019.

GASB Statement No 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, 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 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 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 are effective for the fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, was issued in August 2018 and is effective for fiscal years ending June 30, 2020.

APPENDIX A
STATUS OF PRIOR YEAR RECOMMENDATIONS

SIGNIFICANT DEFICIENCY

User Access Rights

Internal controls should be designed so that individuals with access rights to set up employees in the payroll system do not also have access to process transactions. During our audit, we reviewed access rights in WEDC's payroll software. We noted several individuals with administrator access rights, allowing them full access to all functions in the payroll software system.

We recommend that WEDC review all of its user access rights within the payroll software system and implement internal controls using the establishment of user rights in the system that are consistent with each individual's job duties. WEDC should avoid granting unnecessary access rights to individuals. Finally, full administrative access should be restricted to an individual that does not have access to WEDC's assets, such as an individual in the Technology or Administrative department.

Status - Recommendation was implemented during FY18.

DEFICIENCY

Census Data

WEDC participates in the Wisconsin Retirement System (WRS) on behalf of its employees. Payment amounts from WEDC to WRS are determined based on employee census information given to WRS. We documented the process for submitting this information to WRS and also tested the data submitted to WRS by tracing the information back to source documents such as original forms and other information given from the employee contained in employee's personnel files. This process is significant because it ultimately determines WEDC's proportionate share of the WRS' total pension liability or asset.

During our interviews with staff regarding the processes for compiling and submitting census data, we did not note any discrepancies in the data, however we noted there was no secondary review of the data submitted to WRS. Without secondary review, it is possible that information submitted to WRS could contain errors that go undetected.

We recommend that prior to submission of census data to WRS, information should be reviewed by a person that is independent of the entry and submission function.

Status - Recommendation was implemented during FY18.

FIRM PROFILE



ORGANIZATION

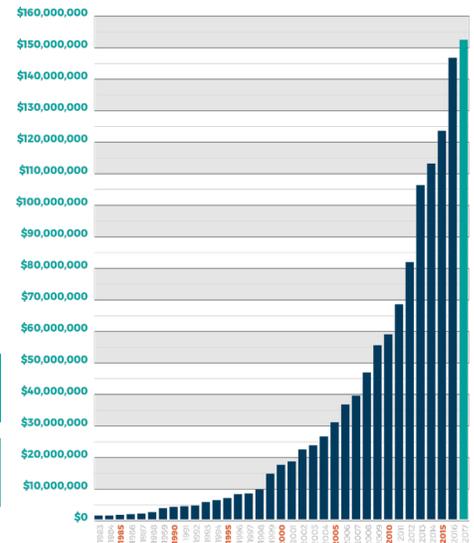
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Sikich provides services and solutions to a wide range of industries. We have devoted substantial resources to develop a significant base of expertise and experience in:

AGRICULTURE	ENERGY	MANUFACTURING & DISTRIBUTION
CONSTRUCTION & REAL ESTATE	GOVERNMENT	NOT-FOR-PROFIT

SIKICH TOTAL REVENUES



STATISTICS

2017 Revenues \$151.9M
 Total Partners ~100
 Total Personnel 750+
Personnel count as of January 1, 2018

2018 AWARDS

- Oracle® NetSuite 5 Star Award
- Milwaukee's Best and Brightest Companies to Work For®
- Boston's Best and Brightest Companies to Work For®
- *Accounting Today* Top 100 Firms - ranked #28 nationally
- Chicago's Best and Brightest Companies to Work For®
- Bob Scott's Top 100 Value Added Reseller Stars (VARs) - ranked #8
- Best Places to Work in Illinois
- Microsoft Dynamics Inner Circle

SERVICES

ACCOUNTING, TAX & ASSURANCE

TECHNOLOGY

- Business Application
- Cloud & Infrastructure
- Consulting & Implementation
- Security and Compliance

ADVISORY

- Business Succession Planning
- Insurance Services
- Forensic and Valuation Services
- Human Resources Consulting
- Investment Banking
- Marketing & Design
- Public Relations
- Retirement Plan Services
- Supply Chain
- Wealth Management

* Securities offered through Sikich Corporate Finance LLC, member FINRA/SIPC.

** Investment advisory services offered through Sikich Financial, an SEC Registered Investment Advisor. Securities offered through Triad Advisors, member FINRA and SIPC. Triad Advisors and Sikich Financial are not affiliated.

2017 AWARDS

- Bob Scott's Top 100 (VARs) - ranked #7
- Milwaukee's 101 Best and Brightest Companies to Work For®
- *Crain's List* Chicago's Largest Privately Held Companies - ranked #234
- *Accounting Today* Top 100 VARs - ranked #6
- Best Places to Work in Indiana
- Boston's 101 Best and Brightest Companies to Work For®
- National Best and Brightest in Wellness
- Vault Accounting Top Ranked
- Chicago's 101 Best and Brightest Companies to Work For®
- National Best and Brightest Companies to Work For
- When Work Works Award
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee
- WorldatWork Work-Life Seal of Distinction
- *Chicago Tribune's* Top Workplaces
- Microsoft Dynamics Inner Circle and President's Club

2016 AWARDS

- *Accounting Today* Top Regional Leaders and Firms: Great Lakes - ranked #4
- Boston's 101 Best and Brightest Companies to Work For®
- *Milwaukee Business Journal* Largest Management Consulting Firms - ranked #10
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms - ranked #31 nationally
- US Small and Mid-Sized Business (SMB) Champions Club Heartland Partner of the Year, Microsoft's US SMB Champions Club
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms - ranked #8
- WICPA Excellence Award - Public Service Award
- *Accounting Today* Top 100 VARs - ranked #7
- *Inc. 5000* - ranked #4613
- Bob Scott's Top 100 VARs - ranked #7

CERTIFICATIONS

All professional accounting staff with more than one year of experience have earned or are working toward earning the Certified Public Accountant designation. Sikich is a member of the American Institute of Certified Public Accountants' Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. We adhere to the strict requirements of membership which assure we meet the highest standards of audit quality. In 2017 Sikich LLP received its 10th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.

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Gold

Microsoft Partner



- **Microsoft Small Business Specialist**
- **MCP** (Microsoft Certified Professional)
- **MCSE** (Microsoft Certified System Engineer)
- **CCNA** (Cisco Certified Network Associate)
- **CCDA** (Certified Cisco Design Associate)
- **CCEA** (Citrix Certified Enterprise Administrator)
- **MRMS** (Microsoft Retail Management Systems)
- **CISA** (Certified Information Systems Auditor)
- **CNE** (Certified Novell Engineer)
- **MS CSM** (Microsoft Customer Service Manager)
- **MS CAE** (Microsoft Certified Account Executive)
- **MCDBA** (Microsoft Certified Database Admin)
- **Certified for Microsoft Dynamics (NAV)**

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**International Accounting Bulletin, 2011*



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**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION
MADISON, WISCONSIN**

SINGLE AUDIT REPORT

For the Year Ended June 30, 2018



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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
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13400 Bishops Lane, Suite 300
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**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, 2018, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements, and have issued our report thereon dated October 29, 2018.

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 29, 2018

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

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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, 2018. 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, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise WEDC's basic financial statements. We have issued our report thereon dated October 29, 2018, 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 29, 2018

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

<u>Agency / Pass through Agency / Federal Program Title / Local Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>US Department of Defense - Office of Economic Adjustment</u>			
State of Wisconsin (DIA) - Economic Adjustment Assistance	12.617*	\$ 1,484,327	\$ 539,422
<u>Small Business Administration</u>			
State Trade Expansion Program			
STEP 2016	59.061	167,108	-
STEP 2017	59.061	224,893	-
Total State Trade Expansion Program		392,001	-
<u>US Department of Agriculture</u>			
Rural Business Development Grant	10.351	47,500	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,923,828	\$ 539,422

* Denotes Major Federal Program

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

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 \$539,422.

Note 4 - Other Information

WEDC did not receive or provide any federal insurance, free rent, or noncash assistance during the year ended June 30, 2018.

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, 2018

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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? _____ yes X no

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Status of Prior Year Findings

2017-001: User Access - Significant Deficiency

This item has been satisfactorily addressed.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

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 29, 2018



**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION**

**INCLUDING INDEPENDENT
AUDITOR'S REPORT**

For the fiscal year ended June 30, 2018

A component unit of the State of Wisconsin

A photograph of the Wisconsin State Capitol building in Madison, Wisconsin, featuring its iconic white dome topped with the Wisconsin Freedom Goddess statue. In the foreground, a large fountain with multiple jets of water is in full operation. The sky is blue with scattered white clouds. The text 'COMPREHENSIVE ANNUAL FINANCIAL REPORT' is overlaid at the bottom in white, bold, sans-serif font.

**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, 2018

Prepared by:

The Dedicated Staff of WEDC's Finance Division

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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As of and For the Year Ended June 30, 2018

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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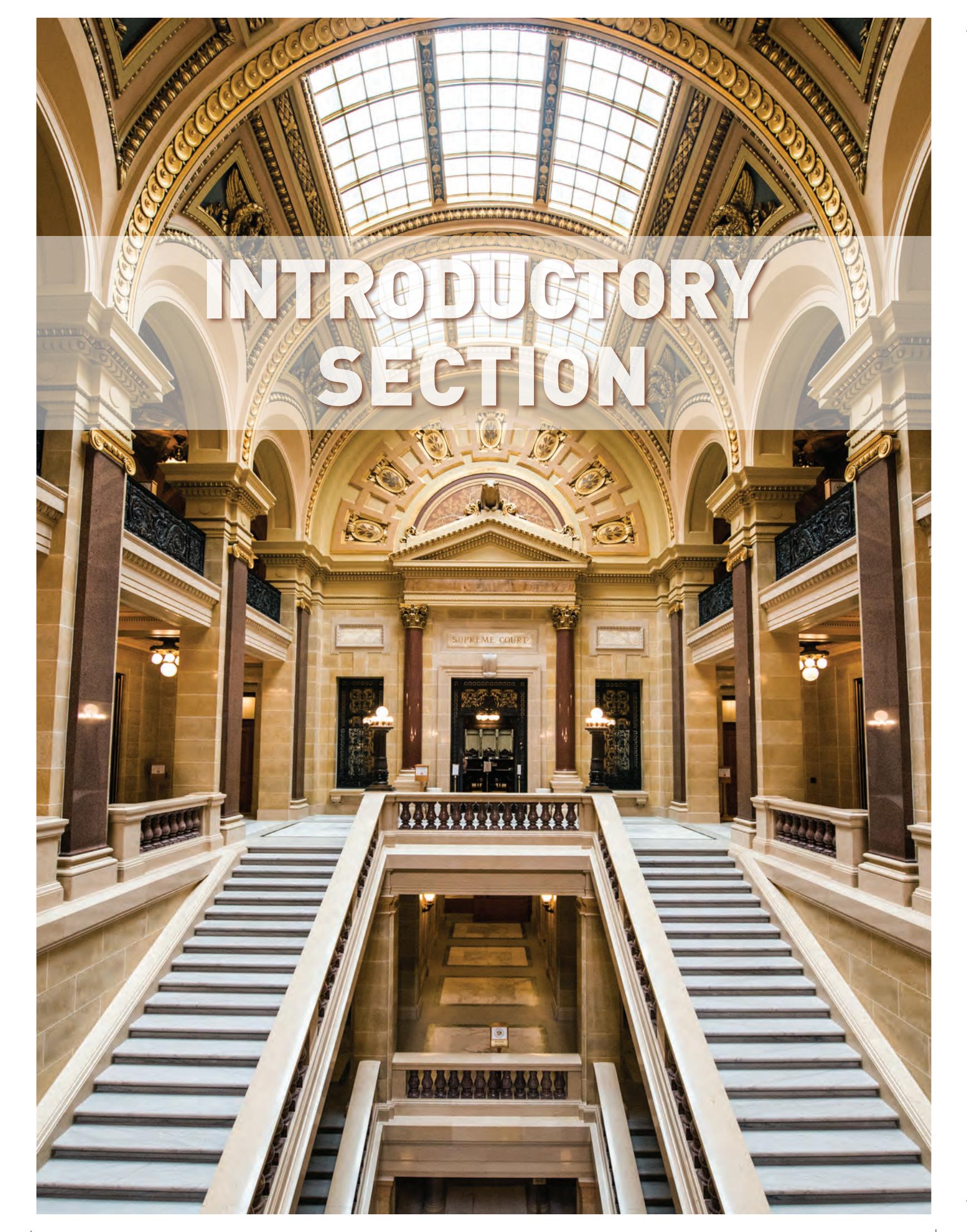
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INTRODUCTORY SECTION

SUPREME COURT



October 27, 2018

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, 2018, 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, 2018. 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.

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.

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LONG RANGE PLANNING AND FINANCIAL POLICIES

In the fiscal year 2018, WEDC has continued its efforts to collaborate with our key strategic partners to more closely align WEDC's long-range strategic planning efforts with those of our economic development partners to advance and maximize Wisconsin's opportunities for people, businesses and communities.

WEDC and its partners have established shared goals in the areas of entrepreneurship, globalization, productivity, and rural economic development. Shared goals that will require WEDC and our partners to all play a role to effect change. A key to the success of those shared goals is our ability to retain the people born and educated in our state, and to attract individuals from other markets, whose skills and interests align with Wisconsin's strategic effort to ensure a strong talent pipeline for Wisconsin businesses.

In January 2018, Wisconsin launched its first talent attraction marketing campaign in Chicago, IL as part of its long term strategic plan to encourage millennial talent to move to Wisconsin to pursue their career and personal passions. The Legislature allocated an additional \$6.8 million in funding to further expand the millennial messaging to other cities and to expand the initiative to include alumni from Wisconsin schools and transitioning veterans and their families.

WEDC plans to continue working with our partners in the fiscal year 2019 to further develop our shared goals, including the establishment of metrics, as we also continue to work with our Board of Directors, staff, and stakeholders to improve the operational efficiency and effectiveness of the organization.

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 Chief Executive Officer, Mark Hogan, the 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,



Brian Nowicki, CPA, CFA
Chief Financial Officer



Natalya Krutova
Controller



Government Finance Officers Association

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Presented to

**Wisconsin Economic
Development Corporation**

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Financial Report
for the Fiscal Year Ended

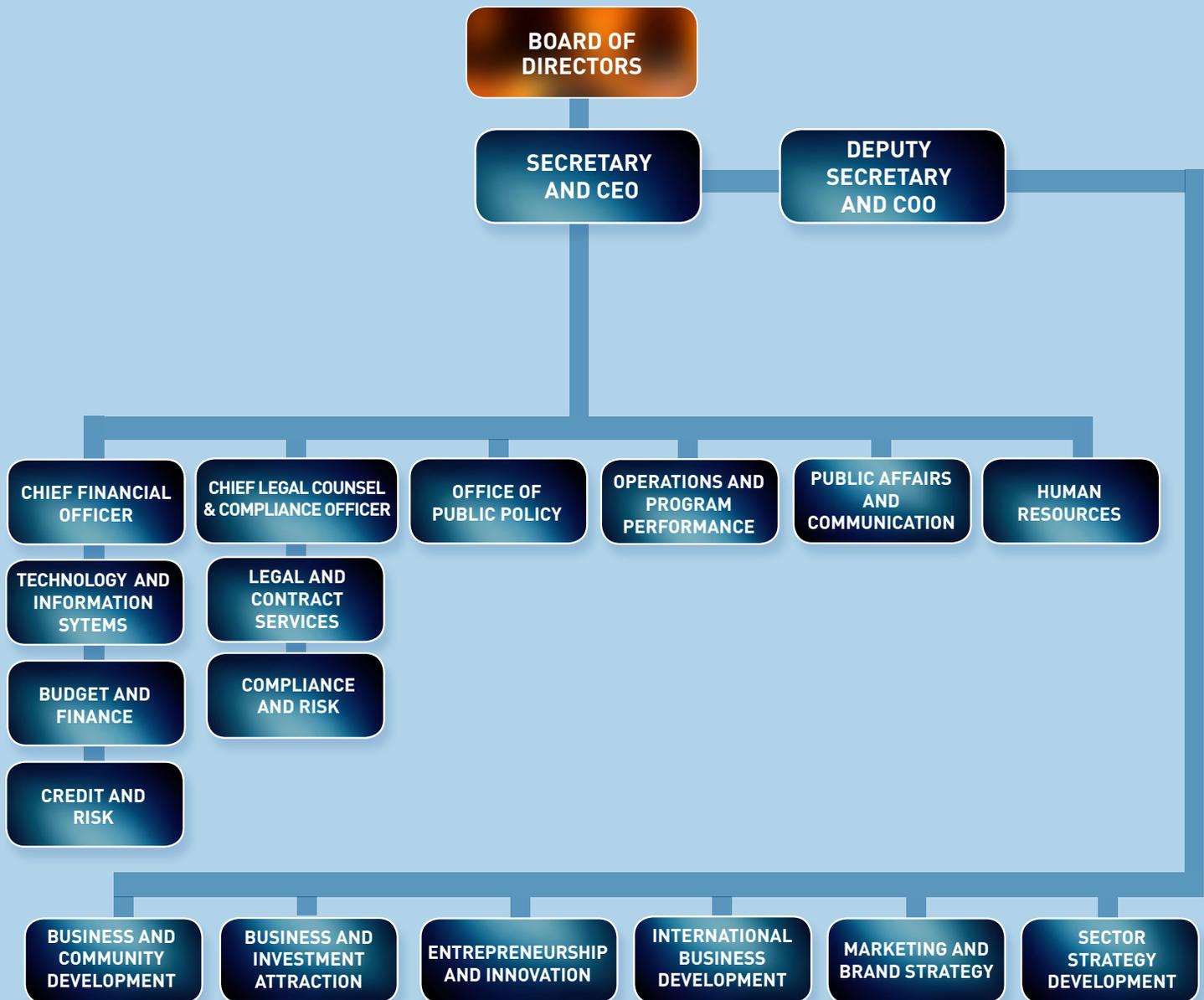
June 30, 2017

Christopher P. Morill

Executive Director/CEO



ORGANIZATIONAL CHART



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Directory of Officials

Board of Directors

Lisa Mauer	Chair
Nancy Hernandez	Vice Chair & Secretary
David J. Drury	Treasurer
Raymond Dreger	Board Member
Sen. Daniel Feyen	Board Member
Sen. Caleb Frostman	Board Member
Randy Hopper	Board Member
Rep. Rob Hutton	Board Member
Jim Ladwig	Board Member
Rep. Dana Wachs	Board Member
Vacant	Board Member
Vacant	Board Member
Richard G. Chandler	Ex-Officio – Department of Revenue
Ellen Nowak	Ex-Officio – Department of Administration

Administrators

Mark R. Hogan	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
Anne Jesko	Vice President of Human Resources
Barb La Mue	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	Vice President of Sector Strategy Development
Amy Young	Office of Public Policy – Senior Director

FINANCIAL SECTION



13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note IV (B), WEDC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which changed how WEDC established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses for OPEB liabilities; modified certain disclosures in the notes to the financial statements; and the required supplementary information. Our opinion is not modified with respect to this matter.

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, 2017, 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, 2017 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 2017 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, 2017 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 29, 2018, 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 29, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended June 30, 2018

(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 2018 were:

- Unrestricted Net Position increased by \$6.1 million
- Total Assets increased by \$19.1 million
- Total Liabilities increased by \$0.3 million

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 23-24).

GOVERNMENT-WIDE - STATEMENT OF NET POSITION

The following table summarizes WEDC's Statements of Net Position from 2017 and 2018.

	Governmental activities			
	2017	2018	Change	% Chg
Current and other assets	\$ 110,179	\$ 129,199	\$ 19,020	17.26%
Capital assets	934	1,015	81	8.69%
Total assets	111,113	130,214	19,101	17.19%
Deferred outflows of resources	3,231	2,512	(719)	-22.25%
Long-term debt	1,535	2,538	1,003	65.36%
Other liabilities	7,452	6,153	(1,299)	-17.43%
Total liabilities	8,987	8,691	(296)	-3.29%
Deferred inflows of resources	1,907	3,223	1,316	69.01%
Net investment in capital assets	934	1,015	81	8.69%
Restricted	41,739	52,929	11,190	26.81%
Unrestricted	60,777	66,868	6,091	10.02%
	103,450	120,812	17,362	16.78%
Prior period adjustment	(931)	-	931	-100.00%
Total net position-restated	\$ 102,519	\$ 120,812	18,293	17.84%

Current and other assets primarily represent cash, investments, receivables, prepaid items, and loans receivable. Total current and other assets increased by \$19.0 million, due mainly to an increase in accounts receivable of \$17.2 million and an increase in the net pension asset of \$1.5 million. \$16.5 million of the \$17.2 million increase in accounts receivable is due to the recognition of available funds in the State Economic Development Fund for the fiscal year 2018 which were not received until July 2018.

Additionally, cash, cash equivalents, and investments increased by \$8.1 million and loans receivable decreased by \$8.1 million. During the fiscal year, WEDC disbursed approximately \$5.3 million in new loan awards, received \$10.1 million in loan repayments, forgave \$6.4 million in principal balance for loans that met contracted criteria for forgiveness, wrote off \$4.5 million in principal balance, and reduced allowances for loan loss by \$7.6 million.

Capital assets and long-term debt have increased by \$81,000 and \$1.0 million respectively and are described in more detail in those sections of this report, see pages 45-46.

Deferred outflows of resources have decreased by \$719,000 and deferred inflows of resources have increased by \$1.3 million and are a direct result of our annual pension and OPEB accruals. In addition, WEDC is reporting a net pension asset of \$1.5 million and a total OPEB liability of \$929,000 as of June 30, 2018. For additional information on the pension plan, see pages 47-52. This will be the first year that the OPEB liability and OPEB deferred outflows and inflows are presented in the financial statements and footnotes. For additional information on the OPEB, see pages 52-55 (OPEB footnote) and page 60 (Prior Period Adjustment).

Other liabilities have decreased by \$1.3 million and include accounts payable, accrued payroll, payroll liabilities, OPEB liability, and accruals for awards not yet disbursed. The majority of the decrease consists of a decrease in unpaid program awards and liabilities due within one year.

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.

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 increased \$6.1 million from the previous year due primarily to additional funding from 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 2017 and 2018.

	Governmental activities			
	2017	2018	Change	% Chg
REVENUE				
Program revenues				
Charges for services	\$ 223	\$ 150	\$ (73)	-32.7%
Operating grants & contributions	2,700	2,644	(56)	-2.1%
General revenues				
Intergovernmental revenues not restricted to specific programs	34,251	57,682	23,431	68.4%
Interest income	1,822	1,741	(81)	-4.4%
Miscellaneous	702	798	96	13.7%
Total Revenues	<u>39,698</u>	<u>63,015</u>	<u>23,317</u>	<u>58.7%</u>
EXPENSES				
General administration	8,369	8,235	(134)	-1.6%
Marketing & brand strategy	4,095	5,113	1,018	24.9%
Economic development	31,133	31,282	149	0.5%
Interest and fiscal charges	121	93	(28)	-23.1%
Total Expenses	<u>43,718</u>	<u>44,723</u>	<u>1,005</u>	<u>2.2%</u>
Total Change in Net Position	(4,020)	18,292	22,312	-555.0%
NET POSITION - BEGINNING OF YEAR, RESTATED	106,540	102,520		
NET POSITION - END OF YEAR	<u>\$ 102,520</u>	<u>\$ 120,812</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 decreased by \$74,000 due primarily to decreases in loan origination fees.

Operating grants and contributions decreased by \$56,000 as reductions in federal funding for the State Small Business Credit Initiative (SSBCI) were mostly offset by increases in other federal grant programs, including the Small Business Administration's State Trade and Export Promotion (STEP) grant program and the Department of Defense.

Intergovernmental revenues not restricted to specific programs increased \$23.4 million as WEDC received a \$6.8 million legislative appropriation for talent attraction retention and development initiatives and \$16.5 million in available funds from the State Economic Development Fund. Both revenue sources were in addition to the State's initial biennial budget for the fiscal year 2017-18.

Interest income decreased \$81,000 as our loan portfolio balance decreased by \$8.1 million.

Miscellaneous revenues increased \$96,000, representing other revenues, including penalty fees and deferred revenues, which are primarily one-time in nature and are not expected to repeat in future years.

General administration expenses decreased \$134,000 due primarily to decreases in computer supplies and pension expense. These decreases were partially offset by increases in legal fees and OPEB expense.

Marketing and communication expenses increased \$1.0 million as we began advertising efforts for the talent attraction retention and development initiative and promoting Wisconsin career and lifestyle advantages.

Economic development expenses, which include WEDC's direct award program expenses, increased \$149,000 as WEDC experienced an increase in federal grant pass-through activity, consulting fees, travel, events, and conferences. These increases were partially offset by a decrease in new loan loss reserves.

Interest and fiscal charges decreased by \$28,000 as the interest in WEDC's portion of the State's pension bond liability was lower than in the fiscal year 2017.

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, a General Fund. The General Fund is a governmental fund type. The fund financial statements can be found on pages 25 and 27 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 26 and 28.

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 \$121.5 million. Total fund balance increased in fiscal year 2018 mainly due to additional funding from 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 2018 was \$31.2 million, compared to \$39.0 million in fiscal year 2017, 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 \$7.8 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 2018 was \$52.9 million, compared to \$41.7 million in fiscal year 2017. 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 \$11.2 million increase is due primarily to economic development awards being contracted at a greater rate than the award costs are being incurred, in addition to a 2018 mid-year legislative appropriation for talent attraction retention and development initiatives.

The assigned fund balance for fiscal year 2018 was \$3.4 million, compared to \$19.7 million in fiscal year 2017, and primarily represents open economic development award commitments, as well as long-term commitments. The \$16.3 million decrease is due primarily to a change in WEDC's fund balance policy. In fiscal year 2018, the assigned fund balance for future program years was moved to the unassigned fund balance. In fiscal year 2017, the assigned fund balance for future program years (Programs FY18) was \$15.7 million.

The unassigned fund balance for fiscal year 2018 was \$33.9 million, compared to \$3.3 million in fiscal year 2017, 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 \$30.6 million increase is due primarily to additional available funds that were transferred from the State Economic Development Fund and the reclassification of the assigned fund balance for future program years to the unassigned fund balance.

GENERAL FUND - BUDGETARY HIGHLIGHTS

WEDC adopts an annual budget for its General Fund. A budgetary comparison schedule can be found on pages 29-30 of this report. There were three budget amendments completed during the year. A general summary of actual to budget variances follow:

	General Fund				
	Original	Final	Actual	Variance with	% Chg
	Budget	Budget			
2018	2018	2018	Final Budget		
REVENUE					
Intergovernmental revenues	\$ 36,279	\$ 44,555	\$ 60,325	\$ 15,770	35.4%
Charges for services	220	200	150	(50)	-25.0%
Interest income	1,900	1,900	1,741	(159)	-8.4%
Miscellaneous	264	526	420	(106)	-20.2%
Total Revenues	38,663	47,181	62,636	15,455	32.8%
EXPENDITURES					
Program grants	22,364	27,305	15,579	(11,726)	-42.9%
Loan loss reserve	2,500	5,200	3,330	(1,870)	-36.0%
Key strategic partners	4,353	4,353	4,288	(65)	-1.5%
Marketing & brand strategy	3,886	5,101	4,140	(961)	-18.8%
Payroll and benefits	11,260	10,882	10,518	(364)	-3.3%
Operations and general	5,705	7,004	6,340	(664)	-9.5%
Capital	124	64	432	368	574.5%
Debt service	850	850	179	(671)	-78.9%
Total Expenditures	\$ 51,041	\$ 60,758	\$ 44,806	\$ (15,952)	-26.3%
Net Change in Fund Balance	\$ (12,378)	\$ (13,577)	\$ 17,830	\$ 31,407	
NET POSITION - BEGINNING OF YEAR			103,682		
FUND BALANCES - END OF YEAR			\$121,512		

Revenues – favorable variance of \$15.5 million, or 32.8%:

- \$16.5 million favorable variance due to the receipt of available funds in the State Economic Development Fund that had built up over time. Going forward it is anticipated that any additional excess funds will be provided to WEDC on an annual basis, if available.
- (\$0.9 million) 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 2019. In addition, investment interest income is lower than expected, as investment interest is net of unrealized losses resulting from rising short-term interest rates in the fiscal year 2018.

Expenditures – favorable variance of \$16.0 million, or 26.3%:

- \$11.7 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 expense in the current fiscal year, the funds are restricted on the balance sheet.

- \$1.9 million favorable variance related to the recognition of additional loan loss reserves, due primarily to our ongoing efforts to monitor and evaluate loan repayment risk over time.
- \$1.0 million favorable variance in marketing and brand strategy due primarily to three factors. A \$445,000 favorable variance in our talent attraction and retention initiative project, a \$385,000 favorable variance for website development expenses that were reclassified as capital expenditures, and an \$85,000 favorable variance due to savings in sponsorships, events, and conferences.
- \$0.4 million favorable variance related to payroll and benefits, due primarily to higher than budgeted position vacancy rates experienced during the fiscal year.
- \$0.7 million favorable variance related to general operational expenses, due primarily to savings in professional fees, travel, software services, supplies and equipment, and research and marketing tools.
- \$0.7 million favorable variance in debt service as the State's scheduled principal payment for fiscal year 2018 was refunded through a new bond issuance, reducing WEDC's required payment.

Changes in Fund Balance – favorable variance of \$31.4 million. Compared to fiscal year 2017, the fund balance increased by \$18.3 million. The largest driver for these positive variances is a \$16.5 million payment from the State Economic Development Fund (as described in the Revenue section above). In addition, program grants had a positive \$11.7 million variance as cash disbursements from current and prior year program awards were less than their program budgets. To the extent committed and contracted grant activity are not recognized as an expense in the current fiscal year, the funds are restricted on the balance sheet, and released when cash disbursements are approved in subsequent periods.

The Fiscal Year 2018 Program Activity - For the fiscal year 2018, we continue to see solid demand for our programs, and at year-end, we have disbursed, committed, or contracted for \$30.5 million in grants and loans. Compared to our budgeted goal of \$33.3 million, this represents a 91% placement rate for the fiscal year 2018 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 \$8.5 million (from \$38.7 million to \$47.2 million) and an increase in total expenses of \$9.7 million (from \$51.1 million to \$60.8 million). Budgeted revenue increased primarily due to a \$6.8 million mid-year legislative appropriation for talent attraction retention and development initiative and \$1.4 million in additional federal grant funding. Budgeted expenses increased primarily due to \$4.9 million in additional program grant funding, \$2.7 million in additional loan loss reserve expectations, \$1.2 million in marketing expenditures related to the talent attraction retention and development initiative, and \$1.0 million related to pass-through expenses on our federal grants.

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 32-60 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 63-64.

CAPITAL ASSETS

WEDC's capital asset activity for 2017 and 2018 is summarized below.

Description	Governmental Activities	
	2017	2018
Software	\$ 1,874,869	\$ 1,738,776
Furniture and fixtures	145,800	-
Leasehold improvements	409,244	409,244
Vehicles	148,577	148,793
Total Capital Assets	2,578,490	2,296,813
Less accumulated depreciation	(1,644,141)	(1,281,675)
Capital assets, net of depreciation	\$ 934,349	\$ 1,015,138

Capital assets increased slightly from the previous year due to new capital asset purchases. Significant projects undertaken during the year included the build-out of a new WEDC website.

Additional information on WEDC's capital assets can be found in Note III C on page 44-45.

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 2018, this resulted in a change of \$188,684. Other changes in long-term debt related to scheduled payments.

	Governmental Activities	
	2017	2018
Compensated absences	609,024	656,966
Notes payable - State of Wisconsin	2,134,044	1,945,360
Total	\$2,743,068	\$2,602,326

Additional information on WEDC's long-term debt can be found in Note III D on pages 45-46.

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/>.

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION
As of June 30, 2018

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 26,288,965
Investments	50,751,843
Accounts receivable	17,987,275
Accrued interest on investments	123,240
Prepaid items	783,451
Loans receivable (net of allowances of \$24,437,553)	30,452,949
Interest on loans receivable (net of allowances of \$1,286,464)	1,327,337
Net pension asset	1,483,782
Capital assets	
Other capital assets, net of depreciation	1,015,138
Total Assets	130,213,980
Deferred outflows of resources	
Deferred outflow of resources - pension	2,434,375
Deferred outflow of resources - OPEB	77,692
Total deferred outflows of resources	2,512,067
 LIABILITIES	
Accounts payable	2,602,775
Accrued liabilities	2,556,413
Noncurrent liabilities	
Due within one year	64,010
Due in more than one year	2,538,316
OPEB liability	929,312
Total Liabilities	8,690,826
Deferred inflows of resources	
Deferred inflow of resources - pension	3,089,845
Deferred inflow of resources - OPEB	133,093
Total deferred inflows of resources	3,222,938
 NET POSITION	
Net investment in capital assets	1,015,138
Restricted for:	
Economic development	42,852,973
Brownfield site assessments	2,649,886
SSBCI	1,382,080
Talent attraction and retention initiative	6,043,749
Unrestricted	66,868,454
TOTAL NET POSITION	\$ 120,812,280

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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	\$ 8,234,566	\$ 149,989	\$ 45,189	\$ (8,039,388)
Marketing & brand strategy	5,113,107	-	-	(5,113,107)
Economic development	31,281,848	-	2,598,721	(28,683,127)
Interest and fiscal charges	92,921	-	-	(92,921)
Total Governmental Activities	<u>\$ 44,722,442</u>	<u>\$ 149,989</u>	<u>\$ 2,643,910</u>	<u>(41,928,543)</u>
General Revenues				
Intergovernmental revenues not restricted to specific programs				
State general purpose revenues				6,800,000
Segregated funds				50,881,563
Interest income				1,741,684
Miscellaneous				798,049
Total General Revenues				<u>60,221,296</u>
Change in Net Position				<u>18,292,753</u>
NET POSITION - BEGINNING OF YEAR				103,450,478
Prior period adjustment				(930,951)
NET POSITION - BEGINNING OF YEAR, RESTATED				<u>102,519,527</u>
NET POSITION - END OF YEAR				<u>\$ 120,812,280</u>

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 26,288,965
Investments	50,751,843
Accounts receivable	17,987,275
Accrued interest on investments	123,240
Prepaid items	783,451
Loans receivable (net of allowances of \$24,437,553)	30,452,949
Interest on loans receivable (net of allowances of \$1,286,464)	1,327,337
TOTAL ASSETS	\$ 127,715,060
LIABILITIES	
Accounts payable	\$ 2,602,775
Accrued awards	2,309,299
Accrued wages	222,601
Payroll related liabilities	70,524
Total Liabilities	<u>5,205,199</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	998,404
Total Deferred Inflows of Resources	<u>998,404</u>
FUND BALANCES	
Nonspendable - prepaids	783,451
Nonspendable - long-term receivables	30,452,949
Restricted for	
Economic development	42,852,973
Brownfield site assessment	2,649,886
SSBCI	1,382,080
Talent attraction and retention initiative	6,043,749
Assigned for	
Loan guarantees	330,000
Compensated absences	656,966
Note payable to State of Wisconsin	1,945,360
Open commitments	487,000
Unassigned	33,927,043
Total Fund Balances	<u>121,511,457</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 127,715,060

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
For the Year Ended June 30, 2018

Fund balances - total governmental funds		\$ 121,511,457
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	\$ 1,738,776	
Leasehold improvements	409,244	
Vehicles	148,793	
Less: accumulated depreciation	<u>(1,281,675)</u>	
Total adjustment for capital assets		1,015,138
Net pension assets are not current financial resources and, therefore, are not reported in the government funds		
		1,483,782
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	1,885,183	
Pension contributions after measurement date	256,026	
Pension changes of actuarial assumptions	<u>293,166</u>	
Total adjustment for pension deferred outflows		2,434,375
Deferred outflows related to OPEB are not current financial resources and, therefore, are not reported in the government funds		
OPEB change in proportion	21,815	
OPEB subsequent contributions after measurement date	<u>55,877</u>	
Total adjustment for OPEB deferred outflows		77,692
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	(168,697)	
Pension differences between projected and actual experiences	(881,826)	
Net pension differences between projected and actual earnings on pension plan investment	<u>(2,039,322)</u>	
Total adjustment for pension deferred inflows		(3,089,845)
Deferred inflows related to OPEB are not current finance resources and, therefore, are not reported in the government funds		
OPEB changes of assumptions	(128,329)	
OPEB differences between expected and actual experience	<u>(4,764)</u>	
Total adjustment for OPEB deferred inflows		(133,093)
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		
		998,404
Total OPEB liability are not current financial resources and, therefore, are not reported in the government funds		
		(929,312)
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		
Total compensated absences	\$ (656,966)	
Compensated absences included in the fund financial statements	<u>46,008</u>	
Net adjustment for compensated absences		(610,958)
Notes payable to State	<u>(1,945,360)</u>	
Total adjustment for long-term obligations		<u>(2,556,318)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 120,812,280</u>

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General</u>
REVENUES	
Intergovernmental	\$ 60,325,473
Charges for services	149,989
Interest income	1,741,684
Other revenues	419,602
Total Revenues	<u>62,636,748</u>
EXPENDITURES	
Current	
General administration	7,968,542
Marketing & brand strategy	4,953,572
Economic development	31,274,949
Capital outlay	432,036
Debt Service	
Principal retirement	85,668
Interest and fiscal charges	92,921
Total Expenditures	<u>44,807,688</u>
Net Change in Fund Balance	17,829,060
FUND BALANCES - BEGINNING OF YEAR	<u>103,682,397</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 121,511,457</u></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

For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ 17,829,060
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	(93,318)
Total OPEB liabilities and related deferred inflows/outflows are not current financial resources and, therefore, are not reported in the governmental funds	(53,762)
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	441,842
Depreciation is reported in the government-wide statements	(361,053)
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	378,447
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	103,016
Principal repaid	85,668
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>(37,147)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,292,753</u>

See accompanying notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended June 30, 2018

(continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental				
Federal - STEP Grant	\$ 350,000	\$ 731,091	\$ 549,839	\$ (181,252)
Federal - DOD Grant	640,590	1,680,000	1,048,882	(631,118)
Federal - USDA Grant	-	54,600	20,961	(33,639)
State general purpose revenue (GPR)	1,519,500	8,319,500	6,800,000	(1,519,500)
State economic development fund (SEG)	32,731,200	32,731,200	50,881,563	18,150,363
State brownfield site assessment	1,000,000	1,000,000	1,000,000	-
Other intergovernmental revenues	38,000	38,625	24,228	(14,397)
Total Intergovernmental	<u>36,279,290</u>	<u>44,555,016</u>	<u>60,325,473</u>	<u>15,770,457</u>
Charges for Services				
Bond servicing fees	60,000	60,000	62,235	2,235
Tax transfer fees	60,000	40,000	30,504	(9,496)
Loan origination fees	100,000	100,000	57,250	(42,750)
Total Charges for Services	<u>220,000</u>	<u>200,000</u>	<u>149,989</u>	<u>(50,011)</u>
Interest Income				
Interest on loans	1,475,000	1,475,000	1,597,336	122,336
Interest on investments	425,000	425,000	144,348	(280,652)
Total Interest Income	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,741,684</u>	<u>(158,316)</u>
Other Revenues				
Sponsorship contributions	62,000	74,400	65,500	(8,900)
Miscellaneous revenue	201,602	451,600	354,102	(97,498)
Total Other Revenues	<u>263,602</u>	<u>526,000</u>	<u>419,602</u>	<u>(106,398)</u>
TOTAL REVENUES	<u>38,662,892</u>	<u>47,181,016</u>	<u>62,636,748</u>	<u>15,455,732</u>
EXPENDITURES				
General Administration				
Legal services & compliance	1,136,668	1,253,391	1,242,556	10,835
Executive office	1,237,673	1,183,156	1,177,271	5,885
Operations & program performance	407,762	471,198	372,818	98,380
Human resources	1,503,681	1,439,889	1,215,070	224,819
Finance	614,277	589,786	577,317	12,469
Technology & information systems	2,303,876	2,214,645	1,989,375	225,270
Credit and risk	1,067,168	974,123	938,035	36,088
Office of public policy	524,337	483,296	503,136	(19,840)
Total General Administration	<u>8,795,442</u>	<u>8,609,484</u>	<u>8,015,578</u>	<u>593,906</u>
Marketing & brand strategy	4,700,454	5,927,525	5,338,572	588,953

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the Year Ended June 30, 2018

(concluded)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Economic Development				
Entrepreneurship and innovation	\$ 6,515,762	\$ 7,220,116	\$ 6,230,943	\$ 989,173
Business and community development	19,305,648	26,445,743	17,147,824	9,297,919
Business & investment attraction	888,303	894,191	712,995	181,196
Sector strategy development	6,313,420	7,159,043	4,374,504	2,784,539
International business development	3,672,083	3,651,527	2,808,683	842,844
Total Economic Development	<u>36,695,216</u>	<u>45,370,620</u>	<u>31,274,949</u>	<u>14,095,671</u>
Debt Service				
Principal retirement	760,000	760,000	85,668	674,332
Interest and fiscal charges	90,000	90,000	92,921	(2,921)
Total Debt Service	<u>850,000</u>	<u>850,000</u>	<u>178,589</u>	<u>671,411</u>
 TOTAL EXPENDITURES	 <u>51,041,112</u>	 <u>60,757,629</u>	 <u>44,807,688</u>	 <u>15,949,941</u>
 Net Change in Fund Balance	 <u><u>\$ (12,378,220)</u></u>	 <u><u>\$ (13,576,613)</u></u>	 <u>17,829,060</u>	 <u><u>\$ 31,405,673</u></u>
 FUND BALANCES - BEGINNING OF YEAR			 <u>103,682,397</u>	
 FUND BALANCES - END OF YEAR			 <u><u>\$ 121,511,457</u></u>	

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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". The members of the board of WEDC shall consist of six members nominated by the governor, three members appointed by the speaker of the assembly, and three members appointed by the Senate majority leader. 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 significant extent on fees and charges to external customers for support. WEDC has no business-type activities.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

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.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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, 2018

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 provided.

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,

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

deferred outflows of resources, represents a consumption of net assets that applies to 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

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NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

recorded in the government-wide statements as expenses when the related liabilities are 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

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NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

the government removes or changes the specified use by taking the same 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 twelve-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.

WEDC Board adopted FIN 104 Fund Balance Policy. The policy has established a target for its unassigned fund balance on June 30th 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.

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NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

NOTE II – Stewardship, Compliance, and Accountability

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>
General Fund			
Office of public policy	\$ 483,296	\$ 503,136	\$ (19,840)

Office of Public Policy Division exceeded its budget due to an increase of payroll expense related to staff changes.

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
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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	\$ 6,796,105	\$ 6,140,213	Custodial credit risk
Money market	20,148,752	20,148,752	Custodial credit risk
US Agency	45,789,613	45,789,613	Custodial credit, credit, concentration of credit, and interest rate risk
Commercial Paper	4,962,230	4,962,230	Custodial credit, credit, concentration of credit, and interest rate risk
Total	<u>\$77,696,700</u>	<u>\$77,040,808</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:

- a. Checking and savings accounts;
- b. 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;
- c. 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;
- d. 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;
- e. 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;
- f. Bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government;
- g. Bonds of the State of Wisconsin;
- h. Commercial paper is rated in the highest tier by a nationally recognized rating agency; and
- i. 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.

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NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

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 \$23.7 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, 2018. 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, 2018, \$50.8 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.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
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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:

Investment	Maturity Term					Total
	< 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	
Federal Home Loan Bank	\$ 2,469,650	\$ 1,916,246	\$ -	\$ -	\$ -	\$ 4,385,896
Federal National Mortgage Association	-	4,032,230	2,487,813	-	-	6,520,043
Federal Home Loan Mortgage Corporation	-	2,947,620	-	-	-	2,947,620
State of WI Issue	351,102	221,076	-	-	-	572,178
US Treasury	-	13,252,168	18,111,708	-	-	31,363,876
Commercial Paper	4,962,230	-	-	-	-	4,962,230
Total	\$ 7,782,982	\$ 22,369,340	\$ 20,599,521	\$ -	\$ -	\$ 50,751,843

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	A1/P-1 or higher	AAA/Aa+	AA+/Aaa
Federal Home Loan Bank	\$ -	\$ 4,385,896	\$ -
Federal National Mortgage Association	-	6,520,043	-
Federal Home Loan Mortgage Corporation	-	2,947,620	-
State of WI Issue	-	-	572,178
US Treasury	-	31,363,876	-
Commercial Paper	4,962,230	-	-
Total	\$ 4,962,230	\$ 45,217,435	\$ 572,178

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.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

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 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, 2018:

Investment	Level 1	Level 2	Level 3
US Government Issues	\$ -	\$ 45,217,435	\$ -
Commercial Paper	-	4,962,230	-
State of WI Issue	-	572,178	-
Total Assets	\$ -	\$ 50,751,843	\$ -

U.S. Treasury securities of \$45.2 million are valued using quoted market prices of these assets (Level 2 inputs).

Government Sponsored Entity (GSE) securities, which include FHLB, FNMA, and FHLMC, of \$13.9 million are valued using quoted market prices of these or similar assets using various market and industry inputs (Level 2 inputs).

Commercial Paper of \$5.0 million are valued using a matrix pricing model (Level 2 inputs).

State of WI Issue \$0.6 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, \$998,404 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.

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NOTES TO FINANCIAL STATEMENTS
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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, 2018, is as follows:

	Repayable Loans	Performance Based Loans	Total
Loans receivable	\$ 42,565,102	\$ 12,325,400	\$ 54,890,502
Allowance for uncollectible	(12,112,153)	-	(12,112,153)
Allowance for performance based loans	-	(12,325,400)	(12,325,400)
Net loans receivable	<u>\$ 30,452,949</u>	<u>\$ -</u>	<u>\$ 30,452,949</u>
Interest receivable	\$ 2,067,303	\$ 546,498	\$ 2,613,801
Allowance for uncollectible	(739,966)	-	(739,966)
Allowance for performance based loans	-	(546,498)	(546,498)
Net interest receivable	<u>\$ 1,327,337</u>	<u>\$ -</u>	<u>\$ 1,327,337</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Capital Assets	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated				
Software	\$ 1,874,869	\$ 385,000	\$ 521,093	\$ 1,738,776
Furniture and fixtures	145,800	-	145,800	-
Leasehold improvements	409,244	-	-	409,244
Vehicles	148,577	56,842	56,626	148,793
Total Capital Assets Being Depreciated	<u>2,578,490</u>	<u>441,842</u>	<u>723,519</u>	<u>2,296,813</u>
Less: Accumulated Depreciation for				
Software	1,021,529	314,584	521,093	815,020
Furniture and fixtures	145,800	-	145,800	-
Leasehold improvements	384,668	24,576	-	409,244
Vehicles	92,144	21,893	56,626	57,411
Total Accumulated Depreciation	<u>1,644,141</u>	<u>361,053</u>	<u>723,519</u>	<u>1,281,675</u>
Total Capital Assets	<u>\$ 934,349</u>	<u>\$ 80,789</u>	<u>\$ -</u>	<u>\$ 1,015,138</u>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions as follows:

Depreciation	
General administration	\$ 30,638
Marketing & brand strategy	168,171
Business & community development	15,831
Technology & information systems	<u>146,413</u>
Total Depreciation Expense	<u>\$ 361,053</u>

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2018 was as follows:

Long-Term Obligation	Balance	Additions	Deletions	Balance	Current	Long-Term
Compensated absences	\$ 609,024	\$ 1,032,128	\$ 984,186	\$ 656,966	\$ 10,798	\$ 646,168
Note payable - State of Wisconsin	<u>2,134,044</u>	<u>(103,016)</u>	<u>85,668</u>	<u>1,945,360</u>	<u>53,212</u>	<u>1,892,148</u>
Total Long-Term Obligations	<u>\$ 2,743,068</u>	<u>\$ 929,112</u>	<u>\$ 1,069,854</u>	<u>\$ 2,602,326</u>	<u>\$ 64,010</u>	<u>\$2,538,316</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 \$1,498,735,000 as of June 30, 2018. 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 0.1298% as of July 1, 2017, 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.

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NOTES TO FINANCIAL STATEMENTS
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Governmental Activities		
Notes Payable		
Year	Pricipal	Interest
2019	\$ 53,212	\$ 93,740
2020	128,496	90,731
2021	139,983	85,903
2022	153,508	81,700
2023	168,909	76,667
2024 - 2029	1,006,002	273,985
2030 - 2032	295,250	29,220
	<u>\$ 1,945,360</u>	<u>\$ 731,946</u>

E. LEASE DISCLOSURES

Lessee - Operating Leases

WEDC is negotiating a long-term lease for office space with the State of Wisconsin Department of Administration. The contract is intended to cover the period of July 1, 2018 through June 30, 2021, with the option to renew. The State of Wisconsin Building Commission will set the cost for all State Buildings determining the amount due for each year leased. 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
2019	\$ 522,211
2020	534,744
2021	547,467
Total	<u>\$ 1,604,422</u>

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, 2018.

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.

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

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NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

NOTE IV – Other Information

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
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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%

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 \$509,669 in contributions from the employer. Contribution rates as of June 30, 2018 are:

Employee Category	Employee	Employer
General, Teachers, Executive & Elected Officials	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At June 30, 2018, WEDC reported an asset of \$1,483,782 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the WEDC proportion was 0.04997%, which was an increase of 2.4% from its proportion measured as of December 31, 2016 which was 0.04879%.

For the year ended June 30, 2018, the WEDC recognized pension expense of \$546,500.

At June 30, 2018, the WEDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$1,885,183	\$ (881,826)
Changes in assumptions	293,166	-
Net differences between projected and actual earnings on pension plan investments	-	(2,039,322)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(168,697)
Employer contributions subsequent to the measurement date	256,026	-
	<u>256,026</u>	<u>-</u>
Total	<u>\$2,434,375</u>	<u>\$ (3,089,845)</u>

\$256,026 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, 2019. 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:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

Year Ended June 30	Net Deferred Outflows (Inflows) of Resources
2019	\$ 63,415
2020	(67,449)
2021	(521,764)
2022	(389,226)
Thereafter	3,528

Actuarial Assumptions

The total pension liability on December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry-Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% 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 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:

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NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50.0%	8.2%	5.3%
Fixed Income	24.5%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	3.8%	1.0%
Real Estate	8.0%	6.5%	3.6%
Private Equity/Debt	8.0%	9.4%	6.5%
Multi-Asset	4.0%	6.5%	3.6%
Total Core Fund	110.0%	7.3%	4.4%
Variable Fund Asset Class			
US Equities	70.0%	7.5%	4.6%
International Equities	30.0%	7.8%	4.9%
Total Variable Fund	100.0%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single Discount Rate

A single discount rate of 7.2% was used to measure the total pension liability, which was based on the expected rate of return on pension plan investments. Because of the unique structure of the WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid after reflecting known changes in the Market Recognition Account. 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 the 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.20%, as well as what the WEDC's proportionate share of

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WEDC's proportionate share of the net pension liability (asset)	\$ 3,839,052	\$ (1,483,782)	\$ (5,529,302)

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 18-9.

At June 30, 2018, 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 5,996 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 an other postemployment benefit (OPEB). At age 65, when eligible, retirees are required to enroll in Medicare.

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 2017 participating employers made actuarially-determined contributions of \$38,429,704 for the implicit rate subsidy. That is, the actuary determined that employer paid health insurance contributions for active employees were

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NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

\$38.4 million higher than they would have been if they were rated separately from retired participants. \$48,957 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, 2017
Reporting Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal, level percent of pay
Asset Valuation Method	N/A
Inflation	3.20%
Salary Increases	Vary by service and employee class, including inflation
Discount Rate	3.58%
Healthcare Cost Trend Rates	
Medical	2.33% for one year then 5.25% graded to 4.50% over 3 years
Prescription Drug	-4.90% for one year then 8.50% graded to 4.50% over 7 years
Dental	3.50% for one year then 4.00%
Administrative Costs	4.80% for one year then 3.00%
Mortality Rates	Wisconsin 2014 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.

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 2018 are based on the percentage of actual employer contributions during the fiscal year 2017 to correspond with the measurement date.

At June 30, 2018, WEDC reported a liability of \$929,312 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2017, 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

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liability was based on the WEDC share of contributions to the OPEB plan relative to the contributions of all participating employers. On June 30, 2017, the WEDC proportion was 0.1292%, which increased from its proportion measured as of June 30, 2016, which was 0.1264%.

Total OPEB Liability – June 30, 2016	\$ 979,908
Service cost	93,144
Interest	30,498
Differences between expected and actual experience	8,506
Change of assumptions	(133,093)
Benefit payments	(49,651)
Total OPEB Liability – June 30, 2017	<u>\$ 929,312</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:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Changed in proportion	\$ 21,815	\$ -
Employer contributions subsequent to the measurement date	55,877	-
Difference between expected and actual experience	-	(476)
Changes in assumptions	-	(12,833)
Total	<u>\$ 77,692</u>	<u>\$ (13,309)</u>

The Deferred Inflows and Outflows of resources to be recognized in the future OPEB expense are as follows:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (4,765)
Changes in assumptions	-	(128,328)
Total	<u>\$ -</u>	<u>\$ (133,093)</u>

\$55,877 reported 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

Year Ended June 30	Net Deferred Outflows (Inflows) of Resources
2019	\$ (13,309)
2020	(13,309)
2021	(13,309)
2022	(13,309)
2023	(13,309)
2024-2028	(66,548)
Total	<u>\$ (133,093)</u>

For the year ended June 30, 2018, the WEDC recognized pension expense of \$110,333.

Service cost	\$ 93,144
Interest	30,498
Recognition of deferred inflows	<u>(13,309)</u>
Total OPEB Expense	<u>\$ 110,333</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 (2.58%) or 1-percentage-point higher (4.58%) than the current rate.

	1% Decrease to Discount Rate (2.58%)	Current Discount Rate (3.58%)	1% Increase to Discount Rate (4.58%)
Total OPEB Liability	\$ 993,976	\$ 929,312	\$ 867,685

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	\$ 822,074	\$ 929,312	\$ 1,056,980

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

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 90% 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, \$45,989,859 was reported in total for these contracts, \$45,502,859 as restricted fund balance, and \$487,000 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:

- 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. This statement is effective for fiscal years beginning after June 15, 2018.
- 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

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NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

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. This statement is effective for fiscal years beginning after December 15, 2018.

- Statement No. 85, *Omnibus 2017*, issued March 2017 – The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and applications, and post-employment benefits (pensions and other post-employment benefits [OPEB]). Specifically, this statement addresses the following topics:
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at an amortized cost
 - The timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This statement is effective for fiscal years beginning after June 15, 2017.

- Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017 - The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

that is defeased in substance. This statement is effective for fiscal years beginning after June 15, 2017.

- 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. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued April 2018 - The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for fiscal years beginning after June 15, 2018.

- 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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2018

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 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 are effective for reporting periods beginning after December 15, 2019.

- 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 are effective for reporting periods beginning after December 15, 2018.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

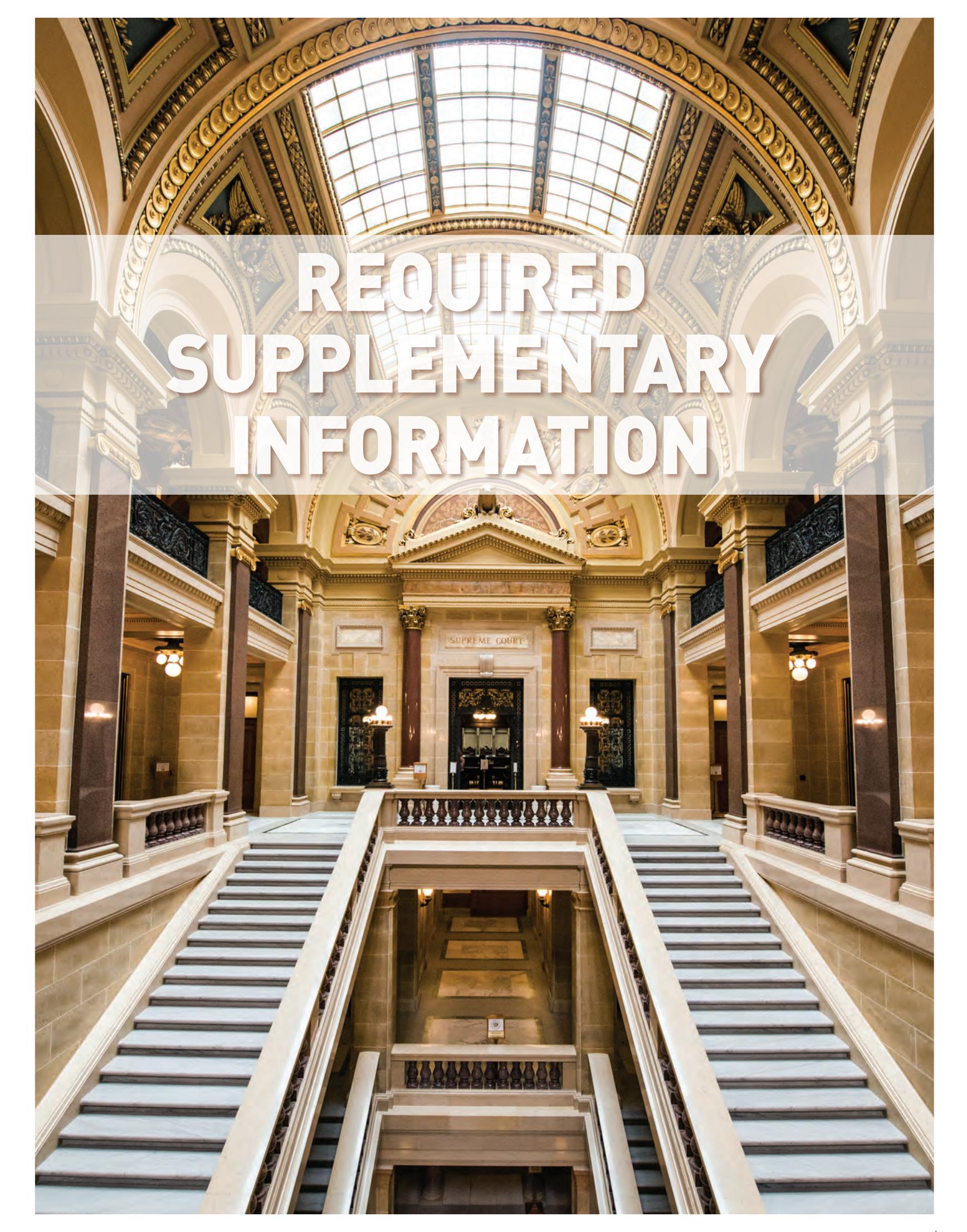
NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

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. PRIOR PERIOD ADJUSTMENT

During the fiscal year, WEDC recorded a prior period adjustment to recognize the effect of recording the Total OPEB Liability from its participation in the State of Wisconsin's Health Insurance Plan for its employees' as well as the contributions made between the measurement date used for the State of Wisconsin's Health Insurance Plan as of December 31, 2016 and the date of its financial statements in the prior year of June 30, 2017.

Total OPEB Liability Prior Period	\$	(979,908)
Deferred outflow for contributions made between December 31, 2016 and June 30, 2017		<u>48,957</u>
TOTAL PRIOR PERIOD ADJUSTMENT	\$	<u>(930,951)</u>



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

* 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
Contractually required contributions	\$ 460,187	\$ 485,967	\$ 524,408	\$ 506,508
Contributions in relation to the contractually required contributions	460,187	485,967	524,408	506,508
Contributions deficiency (excess)	-	-	-	-
WEDC's covered-employee payroll	6,574,065	7,242,852	7,830,074	7,504,837
Contributions as a percentage of covered-employee payroll	7.0%	6.7%	6.7%	6.7%

* 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, 2018**

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

* 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
State Retiree Health Insurance
Last 10 Fiscal Years*

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

* 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, 2018**

Changes of benefit terms. There were no changes of benefit terms for any participating

Changes of assumptions. The Discount Rate was changed to 3.58% for the June 30, 2017 measurement from 2.85% for the June 30, 2016 measurement. The 2015 valuation used a discount rate of 3.56%.

The Participation Assumption (the number of retiring active employees that are assumed to elect to be covered) decreased from 95% to 85%.



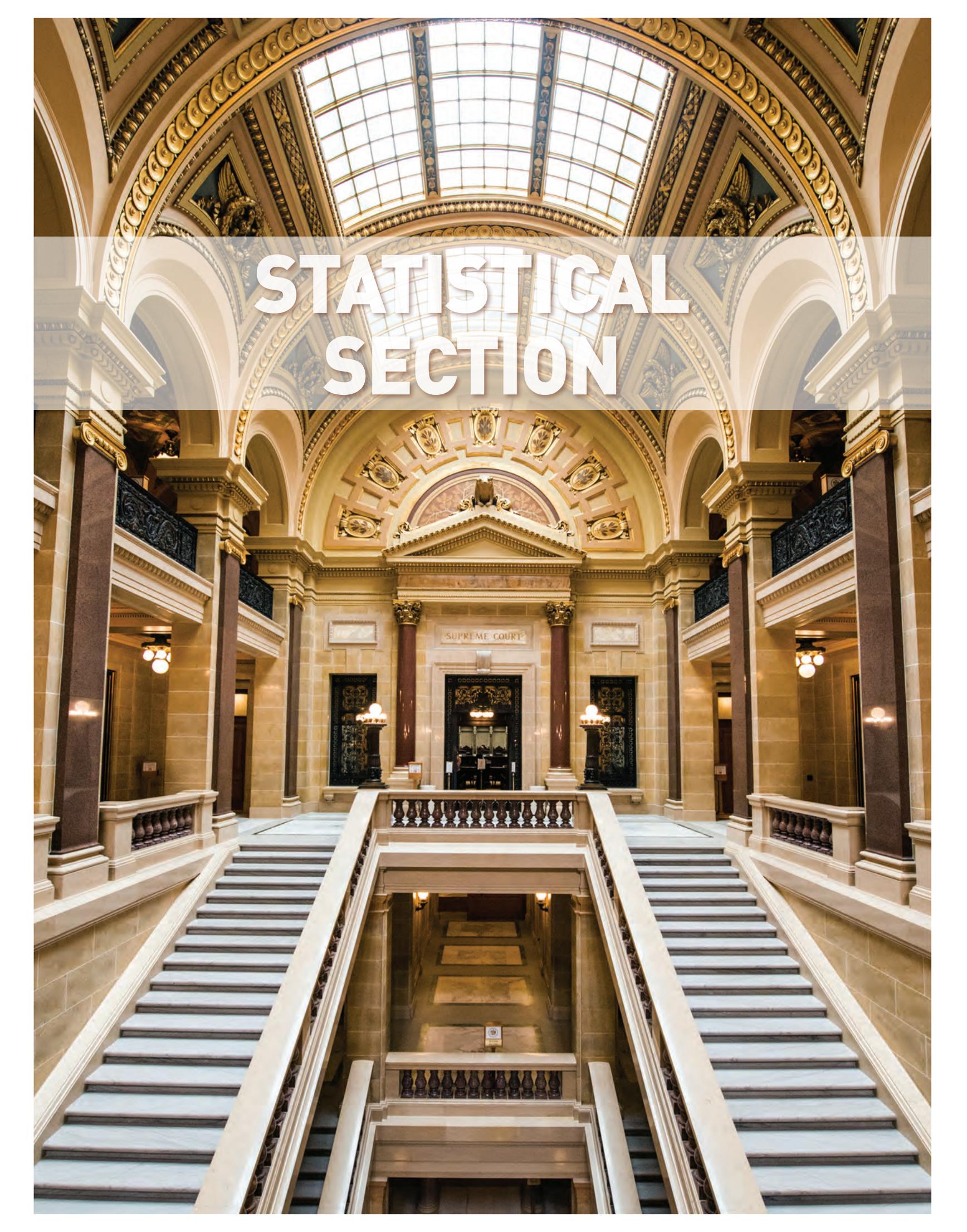
SUPPLEMENTARY INFORMATION

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, 2017 AND 2018

	June 30, 2017	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES					
Intergovernmental	\$ 36,950,510	\$ 36,279,290	\$ 44,555,016	\$ 60,325,473	\$ 15,770,457
Charges for services	223,762	220,000	200,000	149,989	(50,011)
Interest income	1,822,528	1,900,000	1,900,000	1,741,684	(158,316)
Other revenues	259,666	263,602	526,000	419,602	(106,398)
Total Revenues	<u>39,256,466</u>	<u>38,662,892</u>	<u>47,181,016</u>	<u>62,636,748</u>	<u>15,455,732</u>
EXPENDITURES					
Program grants	15,977,765	22,364,000	27,305,000	15,580,431	11,724,569
Loan loss reserve	4,280,430	1,000,000	3,700,000	1,830,105	1,869,895
Loan loss reserve - performance based loans	1,089,006	1,500,000	1,500,000	1,500,000	-
Key strategic partners	3,499,409	4,352,500	4,352,500	4,288,219	64,281
Promotions	3,074,674	3,885,528	5,100,528	4,140,170	960,358
Payroll and benefits	10,340,618	11,259,902	10,882,024	10,517,883	364,141
Operations and general	4,761,793	5,705,182	7,003,527	6,340,255	663,272
Capital	291,761	124,000	64,050	432,036	(367,986)
Debt service	202,674	850,000	850,000	178,589	671,411
Total Expenditures	<u>43,518,130</u>	<u>51,041,112</u>	<u>60,757,629</u>	<u>44,807,688</u>	<u>15,949,941</u>
Net Change in Fund Balance	<u>\$ (4,261,664)</u>	<u>\$ (12,378,220)</u>	<u>\$ (13,576,613)</u>	17,829,060	<u>\$ 31,405,673</u>
FUND BALANCES - BEGINNING OF YEAR				<u>103,682,397</u>	
FUND BALANCES - END OF YEAR				<u>\$ 121,511,457</u>	

The image shows a magnificent, classical-style interior of a government building. At the top, a large, multi-paned skylight illuminates a vaulted ceiling adorned with intricate gold and blue decorative elements. Below the ceiling, a series of arches and columns frame a central entrance. The entrance is marked by a pediment and a sign that reads "SUPREME COURT". Two grand, wide staircases with light-colored steps and ornate balustrades lead up to the entrance. The walls are made of light-colored stone or marble, and the overall atmosphere is one of grandeur and historical significance.

STATISTICAL SECTION

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATISTICAL SECTION

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
Financial Trends	72 - 75
These schedules contain trend information to help the reader understand how WEDC's financial performance and well-being have changed over time.	
Revenue Capacity	76 - 78
These schedules contain information to help the reader assess WEDC's most significant own-source revenue source, interest on loans	
Debt Capacity	79
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.	
Demographic and Economic Information	80 - 81
These schedules offer demographic and economic indicators to help the reader understand the environment within which WEDC's financial activities take place.	
Operating Information	82 - 86
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 Seven Fiscal Years

	Fiscal Year						
	(As Restated) 2012	2013	2014	2015	2016	2017	2018
Expenses							
General administration	\$ 13,056,584	\$ 19,848,912	\$ 6,201,310	\$ 7,621,160	\$ 7,963,400	\$ 8,369,482	\$ 8,234,566
Marketing & brand strategy	1,202,147	2,852,310	5,662,794	5,428,254	4,106,688	4,095,388	5,113,107
Economic development	13,056,977	20,820,325	27,750,545	25,148,978	36,907,171	31,132,493	31,281,848
Interest and fiscal charges	67,209	96,700	108,128	224,989	146,109	121,250	92,921
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>
Program Revenues							
Charges for services	936,876	818,021	191,796	245,162	184,108	223,762	149,989
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
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>
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>
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
Interest income	693,739	837,391	1,135,416	1,648,401	1,511,244	1,822,528	1,741,684
Miscellaneous	-	891,168	58,969	195,541	379,681	701,616	798,049
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>
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>

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 Seven Fiscal Years

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

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

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

	Fiscal Year						
	(As Restated) 2012	2013	2014	2015	2016	2017	2018
Revenues							
Intergovernmental	\$ 56,044,552	\$ 60,419,732	\$ 41,580,556	\$ 60,800,655	\$ 30,143,899	\$ 36,950,510	\$ 60,325,473
Charges for services	-	320,281	221,258	256,675	184,108	223,762	149,989
Interest on loans	693,739	806,294	1,102,791	1,661,869	1,511,244	1,822,528	1,741,684
Other revenues	936,876	922,265	138,309	242,791	270,391	259,666	419,602
Total Revenues	<u>57,675,167</u>	<u>62,468,572</u>	<u>43,042,914</u>	<u>62,961,990</u>	<u>32,109,642</u>	<u>39,256,466</u>	<u>62,636,748</u>
Expenditures							
Current							
General administration	12,972,916	19,510,784	5,474,861	6,793,593	6,766,661	7,882,348	7,968,542
Marketing & brand strategy	1,152,183	2,754,902	5,286,566	5,317,052	3,831,345	3,806,912	4,953,572
Economic development	12,982,036	20,554,445	27,734,152	25,014,023	36,761,125	31,334,435	31,274,949
Capital outlay	370,407	934,967	1,555,670	110,498	148,449	291,761	432,036
Debt Service							
Principal	67,312	88,607	161,929	89,631	85,090	81,424	85,668
Interest and fiscal charges	67,209	96,700	108,128	114,491	146,109	121,250	92,921
Total Expenditures	<u>27,612,063</u>	<u>43,940,405</u>	<u>40,321,306</u>	<u>37,439,288</u>	<u>47,738,779</u>	<u>43,518,130</u>	<u>44,807,688</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>30,063,104</u>	<u>18,528,167</u>	<u>2,721,608</u>	<u>25,522,702</u>	<u>(15,629,137)</u>	<u>(4,261,664)</u>	<u>17,829,060</u>
Other Financing Sources (Uses)							
Proceeds on capital lease	224,585	-	-	-	-	-	-
Contributions from State of Wisconsin	46,513,032	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>46,737,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 76,800,721</u>	<u>\$ 18,528,167</u>	<u>\$ 2,721,608</u>	<u>\$ 25,522,702</u>	<u>\$ (15,629,137)</u>	<u>\$ (4,261,664)</u>	<u>\$ 17,829,060</u>
Capital Asset Additions	<u>\$ 370,407</u>	<u>\$ 826,220</u>	<u>\$ 1,209,599</u>	<u>\$ 110,498</u>	<u>\$ 148,449</u>	<u>\$ 302,819</u>	<u>\$ 441,842</u>
Debt service as a percentage of noncapital expenditures	0.5%	0.4%	0.7%	0.5%	0.5%	0.5%	0.4%

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.

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Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL TRENDS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Seven Fiscal Years

	Fiscal Year						
	(As Restated) 2012	2013	2014	2015	2016	2017	2018
General Fund							
Nonspendable	\$33,527,569	\$29,573,758	\$35,538,497	\$ 42,556,241	\$ 43,185,830	\$ 38,991,331	\$ 31,236,400
Restricted	15,249,905	17,984,574	25,471,389	33,799,765	30,074,692	41,738,826	52,928,688
Assigned	-	13,722,294	21,434,223	45,180,264	31,671,775	19,693,031	3,419,326
Unassigned	28,023,247	34,048,262	15,606,387	2,036,928	3,326,707	3,259,209	33,927,043
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>

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
COLLECTIBLE LOAN BALANCES
Last Seven Fiscal Years

(continued)

<u>Program</u>	Loan Balance 2012	Interest Rate 2012	Loan Balance 2013	Interest Rate 2013	Loan Balance 2014	Interest Rate 2014
Technology business development investments	\$ 12,065,512	2.6%	\$ 16,106,002	3.8%	\$ 17,348,908	4.1%
Business expansion and retention investment	6,596,272	2.0%	10,712,994	2.0%	12,151,861	2.0%
Business opportunity loan fund	-	0.0%	-	0.0%	5,273,126	2.7%
Wisconsin energy independence fund	1,672,737	2.0%	1,537,989	2.0%	396,445	2.0%
Special Project Fund	-	-	-	-	-	-
Commerce - other	16,350,610	2.3%	9,713,231	2.4%	5,357,039	2.5%
Total Balance	<u>\$36,685,132</u>		<u>\$38,070,216</u>		<u>\$ 40,527,379</u>	

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

REVENUE CAPACITY
COLLECTIBLE LOAN BALANCES
Last Seven Fiscal Years

(concluded)

<u>Program</u>	<u>Loan Balance 2015</u>	<u>Interest Rate 2015</u>	<u>Loan Balance 2016</u>	<u>Interest Rate 2016</u>	<u>Loan Balance 2017</u>	<u>Interest Rate 2017</u>	<u>Loan Balance 2018</u>	<u>Interest Rate 2018</u>
Technology business development investments	\$ 18,347,227	4.1%	\$ 18,461,990	4.4%	\$ 18,532,149	4.7%	\$ 18,159,925	5.1%
Business expansion and retention investment	10,574,580	2.0%	6,364,011	2.0%	5,401,631	2.0%	5,285,425	2.0%
Business opportunity loan fund	13,585,556	2.4%	21,857,415	2.4%	23,277,014	2.4%	17,882,236	2.4%
Wisconsin energy independence fund	228,388	2.0%	190,334	2.0%	182,189	2.0%	174,631	2.0%
Special Project Fund	500,000	5.0%	786,793	5.0%	752,119	5.0%	529,978	5.0%
Commerce - other	4,103,610	2.2%	2,242,740	2.2%	1,378,590	2.2%	532,907	2.2%
Total Balance	<u>\$ 47,339,362</u>		<u>\$ 49,903,283</u>		<u>\$ 49,523,692</u>		<u>\$ 42,565,102</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
Six Years ago and Current Year

Collectible Loan	Rank	Loan Balance 2012	Percent of Total	Rank	Loan Balance 2018	Percent of Total
SHINE Medical Technologies, Inc.	-	-	-	1	\$ 4,000,000	9.4%
Menasha Corporation	-	-	-	2	3,000,000	7.0%
Trilliant Food & Nutrition, LLC	-	-	-	3	1,854,724	4.4%
Russ Davis Wholesale	-	-	-	4	1,757,323	4.1%
Kestrel Aircraft Company	1	\$ 2,000,000	5.5%	5	1,704,310	4.0%
Kestrel Aircraft Company	-	-	-	6	1,698,065	4.0%
Exodus Machines Incorporated	-	-	-	7	1,150,000	2.7%
Appleton Coated LLC	-	-	-	8	1,000,000	2.3%
Monogram Food Solutions	-	-	-	9	866,062	2.0%
Ritalka, Inc	-	-	-	10	807,744	1.9%
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%	-	-	-
Bemis Healthcare Packaging, Inc	-	-	-	-	-	-
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>17,838,228</u>	<u>41.9%</u>
Total Loans Outstanding		<u>\$ 36,685,132</u>			<u>\$ 42,565,102</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 six years ago is presented.

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT
Last Seven 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

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 seven years, only those years are presented.

Sources:

2011-2017 Wisconsin Department of Workforce Development

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

2018 U.S. Bureau of Economic Analysis

https://apps.bea.gov/iTable/index_regional.cfm

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION
PERSONAL INCOME STATISTICS
Last Eight 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	-	-	-	not available	-	-	-	-	

Notes:

GASB Statement No. 44 requires that ten years of trend information be presented. Since WEDC has only been in operation for seven 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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION
EMPLOYMENT STATISTICS
Last Seven Fiscal Years

Year	Employment (In Thousands Except Unemployment Rates Data)			Wisconsin	U.S.
	Civilian Labor Force	Total Employed	Total Unemployed	Unemployed Rate	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	-	-	Not Available	-	-

Notes:

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

Since WEDC has only been in operation for seven 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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
EMPLOYEES BY FUNCTION/PROGRAM
Last Seven Years

(continued)

Function/Program	2012		2013		2014	
	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project
General Administration						
Legal services & compliance	7	1	4	0.3	6	1
Executive office	5	-	8	1.2	6	1
Human resources	3	-	2	0.3	4	-
Finance	5	-	4	-	6	-
Technology & information systems	5	1	4	-	5	1
Credit and risk	13	-	10	-	13	1
Process improvement	-	-	2	-	-	-
Office of public policy	3	-	4	-	3	-
Customer service	-	-	2	-	-	-
Economic Development						
Entrepreneurship and innovation	5	-	4	-	5	-
Business & community development	23	1	19	0.4	22	-
Business and investment attraction	-	-	-	-	-	-
Sector strategy development	9	-	9	-	9	-
International business development	5	2	7	2.3	5	3
Operations & Program Performance						
Marketing & brand strategy	7	-	5	-	8	-
Total Staff	90	5	84	4.5	92	7

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
EMPLOYEES BY FUNCTION/PROGRAM
Last Seven Years

(concluded)

2015		2016		2017		2018	
Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project
5	2	9	2	11	3	8	2
5	-	13	-	11	3	7	1
4	-	5	-	5	-	5	-
8	-	5	-	5	-	5	-
6	-	7	-	6	1	7	1
16	1	9	3	11	1	12	-
-	-	-	-	-	-	-	-
3	-	5	1	5	1	5	2
-	-	-	-	-	-	-	-
4	-	5	-	5	-	4	-
21	-	20	-	20	-	20	-
-	-	-	-	3	-	1	-
10	-	8	-	7	-	6	-
9	-	8	1	8	-	8	1
						5	4
9	-	8	-	9	-	9	-
100	3	102	7	106	9	102	11

Notes:

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

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

Sources:

Wisconsin Economic Development Corporation

www.inwisconsin.com

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION
Last Seven Years

(continued)

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION
Last Seven Years

(concluded)

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
SCHEDULE OF CAPITAL ASSETS
Last Seven Years

Function/Program	2012	2013	2014	2015	2016	2017	2018
Economic Development							
Vehicles	5	6	6	6	6	5	6
General Administration							
Leasehold improvement:	-	2	4	4	4	4	4
Vehicles	1	2	2	2	2	3	2
Technology & Information Systems							
Computer software	-	1	5	5	5	4	5
Marketing & Brand Strategy							
Computer software	1	2	4	6	9	7	6
Furniture and fixtures	-	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>

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



MEMO

To: WEDC Board of Directors
From: Erika Julsrud
Date: November 20, 2018

Re: Summary of Previous Awards Administration Committee Meetings

July 9, 2018

The Committee reviewed and approved 1 amendment. The amendment was forwarded to the full Board of Directors for approval.

August 23, 2018

The Committee reviewed and approved 5 awards: 4 Staff Reviews and 1 Amendment. 3 Staff Review's were forwarded to the full Board of Directors for approval.

September 18, 2018

The Committee reviewed and approved the Program Guidelines for the Disaster Recovery Microloan Grant Program. The Program Guidelines were forwarded to the full Board of Directors for approval.

September 25, 2018

The Committee reviewed and approved 3 awards: 2 Staff Reviews and 1 Amendment. 1 Amendment and 1 Staff Review were forwarded to the full Board of Directors for approval.

October 23, 2018

The Committee reviewed and approved 8 awards: 7 Staff Reviews and 1 Amendment Authorization Form. 1 Staff Review was forwarded to the full Board of Directors for approval.

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MEMO

To: WEDC Board of Directors
From: Erika Julsrud
Date: 11-20-2018

Re: Summary of Previous Budget and Finance Committee Meetings

September 7, 2018

The Committee reviewed and approved an Increase Procurement Contract for Sikich External Audit Services.

The Committee reviewed and approved a Certified Sites Vendor Procurement for Consulting Services.

October 12, 2018

The Committee reviewed Quarterly Financial Statements for June and September as well as the Comprehensive Annual Financial Report (CAFR).

The Committee reviewed and approved an IT Procurement for a Software Support Vendor.

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION BOARD ETHICS POLICY

INTRODUCTIONS

WEDC operates and administers its economic development programs with the highest ethical standards. The guiding principle underlying this policy is that WEDC's Board of Directors must always exercise good faith in their actions related to their work for WEDC.

WEDC's Board of Directors is subject to the ethics laws in Chapter 238 of Wisconsin Statutes, and Directors ~~are~~may be considered State public officials subject to the State ethics code. The State's ethics code is found in Wisconsin Statutes §§ 19.41-19.59. The policy underlying the ethics code is broad:

It is declared that high moral and ethical standards among State public officials . . . are essential to the conduct of free government; that the legislature believes that a code of ethics for the guidance of State public officials . . . will help them avoid conflicts between their personal interests and their public responsibilities, will improve standards of public services and will promote and strengthen the faith and confidence of the people of this State in their State public officials

Wis. Stat. § 19.41(1). This policy statement serves as the framework for the State's ethics code and WEDC's Ethics Policy as a whole.

This Ethics Policy emphasizes transparency, outlining specifically the disclosure of potential or actual conflicts of interest through reporting to management or external agencies. Disclosure is the key to monitoring and avoiding ~~potential~~ conflicts of interest. Many times, a potential conflict of interest is harmless to WEDC and the interests of the State of Wisconsin. With disclosure, WEDC can evaluate the pertinent circumstances and minimize the likelihood of a conflict occurring.

In the event of a conflict between this Ethics Policy and Wisconsin law, Wisconsin law controls.

STATE OF ~~WISCONSIN'S ETHICS~~WISCONSIN ETHIC'S CODE

The statutory ethics code precludes Directors from:

- Entering into contracts for State funds without notice.
- Using their public position for private benefit.
- Soliciting or accepting rewards or items or services likely to influence their official duties.
- Accepting transportation, lodging, food, or beverage except as specifically authorized.
- Using confidential information to receive anything of value.
- Using their public position to obtain unlawful benefits.
- Acting officially in a matter in which they are privately interested.

As State public officials, Directors are responsible for understanding all provisions of the statutes' ethics code. A summary is provided here.

Director Contracts for State Funds

Unless a Director has first notified the Ethics Commission and the contracting agency, no WEDC Board member, his or her immediate family members, nor any organization with which the Director or an immediate family member has at least a 10% interest may enter into a contract with WEDC if the contract obligates WEDC to pay more than \$3000 over a 12-month period.

For purposes of the ethics code, “immediate family” is defined as a spouse, domestic partner, or a relative (by birth, marriage, or adoption) who receives, directly or indirectly, more than one-half of his or her support from a Director or from whom the Director receives, directly or indirectly, more than one-half of his or her support.

Directors must notify WEDC’s CEO or Chief Legal Officer if considering a contract that falls within the scope of this law. The ~~Legal & Compliance~~ Division Team maintains a report on all such notifications.

Private Benefit

Directors may not use their position with WEDC for financial or non-financial gain for the Director, his or her immediate family, or an organization with which the Director is associated. For purposes of the ethics code, a Director is “associated” with an organization when the Director or a member of the Director’s immediate family is a director, officer, or trustee, or owns or controls, directly or indirectly, at least 10% of the outstanding equity, or the Director or a member of the Director’s immediate family is an agent or representative of the organization.

~~For purposes of the ethics code, “immediate family” is defined as a spouse, domestic partner, or a relative (by birth, marriage, or adoption) who receives, directly or indirectly, more than one-half of his or her support from a Director or from whom the Director receives, directly or indirectly, more than one-half of his or her support.~~

Acceptance of Gifts or Rewards

Directors may not accept or solicit anything of value from a person or entity if it could be reasonably expected to influence their actions related to their position with WEDC, or construed as a reward for their actions.

Athletic Events

Directors may not accept or purchase a discounted ticket or admission to an event or access to a loge, skybox, or premium area unless the ticket, admission, or access (1) cannot reasonably be expected to influence his or her vote, judgment, or any official action; (2) cannot be reasonably considered a reward for any official action or inaction; and (3) is offered for a reason unrelated to his or her position as a Director, or is available to the general public on the same terms and conditions.¹

There are exceptions to these restrictions. Directors may attend an athletic event at no cost or on terms not available to the public if WEDC authorizes his or her participation in the event ~~is for the benefit primarily~~ economic or business development purposes on

¹ Complimentary or reduced-price tickets for University of Wisconsin System athletic events also must be permitted by the rules of intercollegiate athletics conferences of the institution participating in the event and approved by the chancellor.

behalf of the StateStates. It is considered a benefit to the State if there is a

~~¹ Complimentary or reduced price tickets for University of Wisconsin System athletic events also must be permitted by the rules of intercollegiate athletics conferences of the institution participating in the event and approved by the chancellor.~~

substantial, well-articulated government purpose for attending the event; or if the event is a prominent, public ceremonial activity and any private benefit is merely incidental to the government purpose. In addition, Directors may accept a ticket, admission, or access when, in the rare event, it is of no pecuniary value.

~~Directors must include in their Statement of Economic Interests each organization or person that provided to him or her a ticket, admission, or access valued at more than \$50.~~

Transportation, Lodging, Food, and Drinks

Directors may not accept transportation, lodging, meals, food, or drinks unless one of the following exceptions apply:

- The activity for which the items are provided or reimbursement is received is entirely unrelated to the official's position as a Director and payment did not arise from the official's position.
- The items (or payment) are related to expenses for a speaking engagement or other event, or a publication about the operations of and issues related to State government; and the items (or payment) are provided by the organizer of the event or the publisher.²
 - ~~The activity for which the items are provided or reimbursement is received is entirely unrelated to the official's position as a Director and payment did not arise from the official's position.~~
- The items are accepted on behalf of the State and are for the State's benefit.

Payment or reimbursements for the above expenses may not exceed the expenses incurred by the Director.

Statement of Economic Interest

Directors are required to file an annual Statement of Economic Interest with the Ethics Commission. The first year's Statement is due to the Ethics Commission within 21 days of nomination (unless a Statement has been filed previously by the nominee) and all subsequent Statements are due by April 30. Questions about Statements of Economic Interest must be directed to the Ethics Commission.

² These requirements are not intended to dissuade individuals from engaging with the public. In fact, the ethics code specifically encourages officials to meet with and speak to special interest groups, political groups, school groups, clubs, and other public organizations and meetings to discuss official business.

Directors must include in their Statement of Economic Interests each organization or person that provided to him or her any item valued at more than \$50.

Disclosing Confidential Information

Under no circumstances should Directors disclose confidential information. In particular, the Ethics Code provides that Directors may not use or disclose confidential information in any way that could result in a benefit gained by the official, his or her immediate family, or an organization with which the official is associated.

Campaign Contributions

Directors may not offer a vote or influence on a matter in exchange for a contribution or service for the benefit of a candidate, political party, or any person making a communication that contains a reference to a clearly identified State elected official or candidate for public office.

~~²These requirements are not intended to dissuade individuals from engaging with the public. In fact, the ethics code specifically encourages officials to meet with and speak to special interest groups, political groups, school groups, clubs, and other public organizations and meetings to discuss official business.~~

Unlawful Benefits

Directors may not use their position to influence or receive unlawful benefits, advantages, or benefits for anyone.

Private Interests

~~Similar to the requirements outlined below under Section 3 on WEDC Contracts with Which Directors Have a Financial Interest,~~ The ethics code precludes Directors from involvement in any official action on matters that could be reasonably expected to result in a substantial benefit, or for which there exists a substantial financial interest³, for the Director, the Director's immediate family, or an organization with which the Director is associated.

WEDC CONTRACTS WITH WHICH DIRECTORS HAVE A FINANCIAL INTEREST

In addition to the State ethics code, Directors are subject to the conflicts of interest requirements in Wis.

³ A substantial financial interest is not defined by Chapter 19. The Government Accountability Board indicated a financial interest is considered substantial if it is "of more than token or inconsequential value." While a substantial financial interest is determined on a case by case basis, the Government Accountability Board determined that a salary or an ownership interest that amounts to "several thousands of dollars" constitutes a substantial financial interest.

Stat. § 238.046. In their capacity as Directors, this law prohibits the Director from involvement with an award if the Director has a financial interest in the contract for that award.

Directors must promptly disclose to WEDC's ~~CEO or~~ Chief Legal Officer or CEO any direct or indirect, private, pecuniary interest in a contract that is being negotiated, bid for, or entered into with WEDC. In the event it is determined that the potential conflict of interest falls within the scope of the statute as a direct or indirect, private, pecuniary interest, the Director must refrain from any discussions or actions on the award. ~~Affected individuals must recuse themselves from meetings when the award is discussed.~~ If at a Board or committee meeting, the minutes will reflect the Director's ~~departure and~~ abstention from voting. The Chief Legal Officer or CEO will ensure appropriate measures are taken for recusal and reporting to the Board.

For purposes of this policy, pecuniary interests, as defined in Wis. Stat. § 946.84(4)(a), can include "...anything in the form of money, a negotiable instrument, or a commercial interest or anything else the primary significance of which is economic advantage."

~~(1) STATEMENT OF ECONOMIC INTEREST~~

~~Directors are required to file an annual Statement of Economic Interest with the Ethics Commission. The first year's Statement is due to the Ethics Commission within 21 days of nomination (unless a Statement has been filed previously by the nominee) and all subsequent Statements are due by April 30. Questions about Statements of Economic Interest must be directed to the Ethics Commission.~~

CONTRIBUTIONS

The Board may accept contributions amounting to more than \$25,000 for the benefit of WEDC. WEDC Bylaws limit the CEO's authority to accept contributions to those amounting to \$25,000 or

~~³A substantial financial interest is not defined by Chapter 19. The Government Accountability Board indicated a financial interest is considered substantial if it is "of more than token or inconsequential value." While a substantial financial interest is determined on a case-by-case basis, the Government Accountability Board determined that a salary or an ownership interest that amounts to "several thousands of dollars" constitutes a substantial financial interest~~

less in a twelve-month period by any one individual, an individual and his or her immediate family, or an individual and any organization in which the individual (or a member of the individual's immediate family) owns or controls at least 10% of the outstanding equity, voting rights or indebtedness. The Board may accept contributions amounting to more than \$25,000 for the benefit of WEDC.

The Legal & Compliance Division Team reports contribution to the Board ~~at least~~ annually.

WEDC SPONSORED ECONOMIC DEVELOPMENT EVENTS

State law expressly allows WEDC to solicit and receive, on behalf of the State, anything of value if related to:

- Sponsorship of a trip to a foreign country primarily to promote trade and is for the benefit of the State;
- Host an event to promote business, economic development, tourism, or governmental conferences sponsored by multistate, national, or international associations.

Directors may, in turn, accept from WEDC anything of value that WEDC is authorized to provide

under this particular statutory exception.

WEDC annually reports to the Ethics Commission ~~(previously, the Government Accountability Board)~~ on any funds received for these purposes.

VENDOR AGREEMENTS

All vendor contracts must comply with WEDC's Procurement procedures with regard to conflicts of interest and include a conflicts of interest provision.

If a potential conflict of interest is disclosed or discovered, a determination will be made as to the nature of the interest and what action needs to be taken to protect against or alleviate the conflict.

LOBBYING REGULATIONS

WEDC is an "agency" under Chapter 13 of the Wisconsin Statutes but ~~Directorsemployees~~ are not "agency officials." This means the only lobbying regulation that applies to WEDC is the requirement to file an annual Legislative Activities Statement. ~~Directors employed by the State may be subject to additional lobbying restrictions.~~ WEDC is required to file a semi-annual Report on Legislative Activities of State Agencies.

~~(2) NONCOMPLIANCE~~

NONCOMPLIANCE

Concerns about a Director not complying with this policy should be directed to WEDC's CEO or Chief Legal Officer. The Chief Legal Officer will diligently investigate the claim, which must include an interview with the Director claimed to have not complied. The Chief Legal Officer will then prepare a recommendation to the Board on whether a violation has occurred and the appropriate response. The Director claimed to have not complied will have an opportunity at the same Board meeting to respond.

If a Director does not comply with this policy, then the Board of Directors may take appropriate disciplinary and corrective action, which may include reporting to the Director's appointing authority or the Ethics Commission. Directors that violate the State's ethics code may be subject to the penalties described therein, which may include civil fines and imprisonment. Wis. Stat. §§ 19.579-58.



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION BOARD ETHICS POLICY

INTRODUCTIONS

WEDC operates and administers its economic development programs with the highest ethical standards. The guiding principle underlying this policy is that WEDC's Board of Directors must always exercise good faith in their actions related to their work for WEDC.

WEDC's Board of Directors is subject to the ethics laws in Chapter 238 of Wisconsin Statutes, and Directors may be considered State public officials subject to the State ethics code. The State's ethics code is found in Wisconsin Statutes §§ 19.41-19.59. The policy underlying the ethics code is broad:

It is declared that high moral and ethical standards among State public officials . . . are essential to the conduct of free government; that the legislature believes that a code of ethics for the guidance of State public officials . . . will help them avoid conflicts between their personal interests and their public responsibilities, will improve standards of public services and will promote and strengthen the faith and confidence of the people of this State in their State public officials

Wis. Stat. § 19.41(1). This policy statement serves as the framework for the State's ethics code and WEDC's Ethics Policy as a whole.

This Ethics Policy emphasizes transparency, outlining specifically the disclosure of potential or actual conflicts of interest through reporting to management or external agencies. Disclosure is the key to monitoring and avoiding conflicts of interest. Many times, a potential conflict of interest is harmless to WEDC and the interests of the State of Wisconsin. With disclosure, WEDC can evaluate the pertinent circumstances and minimize the likelihood of a conflict occurring.

In the event of a conflict between this Ethics Policy and Wisconsin law, Wisconsin law controls.

STATE OF WISCONSIN ETHIC'S CODE

The statutory ethics code precludes Directors from:

- Entering into contracts for State funds without notice.
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- Soliciting or accepting rewards or items or services likely to influence their official duties.
- Accepting transportation, lodging, food, or beverage except as specifically authorized.
- Using confidential information to receive anything of value.

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- Using their public position to obtain unlawful benefits.
- Acting officially in a matter in which they are privately interested.

As State public officials, Directors are responsible for understanding all provisions of the statutes' ethics code. A summary is provided here.

Director Contracts for State Funds

Unless a Director has first notified the Ethics Commission and the contracting agency, no WEDC Board member, his or her immediate family members, nor any organization with which the Director or an immediate family member has at least a 10% interest may enter into a contract with WEDC if the contract obligates WEDC to pay more than \$3000 over a 12-month period.

For purposes of the ethics code, "immediate family" is defined as a spouse, domestic partner, or a relative (by birth, marriage, or adoption) who receives, directly or indirectly, more than one-half of his or her support from a Director or from whom the Director receives, directly or indirectly, more than one-half of his or her support.

Directors must notify WEDC's CEO or Chief Legal Officer if considering a contract that falls within the scope of this law. The Compliance Team maintains a report on all such notifications.

Private Benefit

Directors may not use their position with WEDC for financial or non-financial gain for the Director, his or her immediate family, or an organization with which the Director is associated. For purposes of the ethics code, a Director is "associated" with an organization when the Director or a member of the Director's immediate family is a director, officer, or trustee, or owns or controls, directly or indirectly, at least 10% of the outstanding equity, or the Director or a member of the Director's immediate family is an agent or representative of the organization.

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and (3) is offered for a reason unrelated to his or her position as a Director, or is available to the general public on the same terms and conditions.¹

There are exceptions to these restrictions. Directors may attend an athletic event at no cost or on terms not available to the public if WEDC authorizes his or her participation in the event for economic or business development purposes on behalf of the States. It is considered a benefit to the State if there is a substantial, well-articulated government purpose for attending the event; or if the event is a prominent, public ceremonial activity and any private benefit is merely incidental to the government purpose. In addition, Directors may accept a ticket, admission, or access when, in the rare event, it is of no pecuniary value.

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- The items (or payment) are related to expenses for a speaking engagement or other event, or a publication about the operations of and issues related to State government; and the items (or payment) are provided by the organizer of the event or the publisher.²
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Directors are required to file an annual Statement of Economic Interest with the Ethics

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Commission. The first year's Statement is due to the Ethics Commission within 21 days of nomination (unless a Statement has been filed previously by the nominee) and all subsequent Statements are due by April 30. Questions about Statements of Economic Interest must be directed to the Ethics Commission.

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Directors may not offer a vote or influence on a matter in exchange for a contribution or service for the benefit of a candidate, political party, or any person making a communication that contains a reference to a clearly identified State elected official or candidate for public office.

Unlawful Benefits

Directors may not use their position to influence or receive unlawful benefits, advantages, or benefits for anyone.

Private Interests

The ethics code precludes Directors from involvement in any official action on matters that could be reasonably expected to result in a substantial benefit, or for which there exists a substantial financial interest³, for the Director, the Director's immediate family, or an organization with which the Director is associated.

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WEDC CONTRACTS WITH WHICH DIRECTORS HAVE A FINANCIAL INTEREST

In addition to the State ethics code, Directors are subject to the conflicts of interest requirements in Wis. Stat. § 238.046. In their capacity as Directors, this law prohibits the Director from involvement with an award if the Director has a financial interest in the contract for that award.

Directors must promptly disclose to WEDC's Chief Legal Officer or CEO any direct or indirect, private, pecuniary interest in a contract that is being negotiated, bid for, or entered into with WEDC. In the event it is determined that the potential conflict of interest falls within the scope of the statute as a direct or indirect, private, pecuniary interest, the Director must refrain from any discussions or actions on the award. If at a Board or committee meeting, the minutes will reflect the Director's abstention from voting. The Chief Legal Officer or CEO will ensure appropriate measures are taken for recusal and reporting to the Board.

For purposes of this policy, pecuniary interests, as defined in Wis. Stat. § 946.84(4)(a), can include "...anything in the form of money, a negotiable instrument, or a commercial interest or anything else the primary significance of which is economic advantage."

CONTRIBUTIONS

The Board may accept contributions amounting to more than \$25,000 for the benefit of WEDC. WEDC Bylaws limit the CEO's authority to accept contributions to those amounting to \$25,000 or less in a twelve-month period by any one individual, an individual and his or her immediate family, or an individual and any organization in which the individual (or a member of the individual's immediate family) owns or controls at least 10% of the outstanding equity, voting rights or indebtedness. The Board may accept contributions amounting to more than \$25,000 for the benefit of WEDC.

The Legal & Compliance Team reports contribution to the Board annually.

WEDC SPONSORED ECONOMIC DEVELOPMENT EVENTS

State law expressly allows WEDC to solicit and receive, on behalf of the State, anything of value if related to:

- Sponsorship of a trip to a foreign country primarily to promote trade and is for the benefit of the State;
- Host an event to promote business, economic development, tourism, or governmental conferences sponsored by multistate, national, or international associations.

Directors may, in turn, accept from WEDC anything of value that WEDC is authorized

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to provide under this particular statutory exception.

WEDC annually reports to the Ethics Commission on any funds received for these purposes.

VENDOR AGREEMENTS

All vendor contracts must comply with WEDC's Procurement procedures with regard to conflicts of interest and include a conflicts of interest provision.

If a potential conflict of interest is disclosed or discovered, a determination will be made as to the nature of the interest and what action needs to be taken to protect against or alleviate the conflict.

LOBBYING REGULATIONS

WEDC is an "agency" under Chapter 13 of the Wisconsin Statutes and "agency officials" may not accept anything of pecuniary value from a lobbyist or principal unless the acceptance is specifically authorized under law. The lobbying restrictions do not impact WEDC's ability to solicit or accept on behalf of the State. WEDC is required to file an annual Legislative Activities Statement.

NONCOMPLIANCE

Concerns about a Director not complying with this policy should be directed to WEDC's CEO or Chief Legal Officer. The Chief Legal Officer will diligently investigate the claim, which must include an interview with the Director claimed to have not complied. The Chief Legal Officer will then prepare a recommendation to the Board on whether a violation has occurred and the appropriate response. The Director claimed to have not complied will have an opportunity at the same Board meeting to respond.

If a Director does not comply with this policy, then the Board of Directors may take appropriate disciplinary and corrective action, which may include reporting to the Director's appointing authority or the Ethics Commission. Directors that violate the State's ethics code may be subject to the penalties described therein, which may include civil fines and imprisonment. Wis. Stat. §§ 19.579-58.

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