

## **Open Meetings Notice**

The meeting of the Board of Directors for the Wisconsin Economic Development Corporation will be held on November 8, 2017 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 will be closed under Wis. Stat. § 19.85(1) as indicated below.

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### **Agenda**

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

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

**November 8, 2017  
1:30 - 4:30 p.m.**

1. Call to Order and Roll Call
2. Approval of Minutes from the September 8, September 28, and October 17, 2017 Meetings
3. Board of Directors Orientation
  - a. Open Meetings
  - b. Open Records
4. Chair Report
5. CEO Report
  - a. Credit & Risk Quarterly Report
6. COO Report
  - a. Think-Make-Happen Website Redesign
7. CFO Report
  - a. Quarterly Financials
8. Review and Vote on Submission of Programmatic Report under Wis. Stat. sec. 238.07(1)
9. Committee Reports
  - a. Budget & Finance Committee
  - b. Awards Administration Committee

- i. **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 Board will be meeting in closed session to review pending economic development projects. The Board will open the meeting again at the end of the closed session.*
- c. **Audit Committee**
  - i. **Presentation of Comprehensive Annual Financial Report and Auditor's Communication by Sikich**
  - ii. **Closed Session**  
*Under Wis. Stat. § 19.85(1)(c), a closed session is authorized to discuss specific personnel matters. The Board will open the meeting again at the end of the closed session.*
  - iii. **Open session to vote to accept Comprehensive Annual Financial Report and Auditor's Communication**

## 10. Adjournment



**WEDC BOARD MEETING MINUTES  
BOARD OF DIRECTORS TELECONFERENCE**

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

**September 8, 2017  
2:00 - 3:00 p.m.**

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

**BOARD MEMBERS PRESENT:**

- Representative Peter Barca, 64th Assembly District
- Senator Tim Carpenter, 3rd Senate District

**BOARD MEMBERS PRESENT VIA TELECONFERENCE:**

- Lisa Mauer, Rickert Industries
- Nancy Hernandez, ABRAZO
- Ray Dreger, Seeds 'N Stuff Farm Market, Inc.
- Tom Sylke, Setter Roche LLP
- Representative Rob Hutton, 13th Assembly District
- Senator Dan Feyen, 18th Senate District
- David Drury, WING Capital Group
- R.D. Nair, University of Wisconsin School of Business
- Jim Ladwig, SC Johnson
- Secretary Rick Chandler, Department of Revenue
- Secretary Scott Neitzel, Department of Administration

**BOARD MEMBERS EXCUSED:**

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**CALL TO ORDER AND ROLL CALL**

Lisa Mauer called the meeting to order at 2:02 p.m.

**CLOSED SESSION**

In open session, Lisa Mauer proposed the Board enter closed session to discuss pending economic development project negotiations as recommended by the Awards Administration Committee.

Lisa Mauer requested a motion to approve entering closed session. Motion was made Representative Peter Barca with a second by Nancy Hernandez. The motion to move into closed session was approved unanimously.

*See separate minutes for closed session.*

**RESUMPTION OF OPEN MEETING**

The meeting reconvened in open session at 3:11 p.m.

**ADJOURNMENT**

Lisa Mauer adjourned the meeting at 3:12 p.m.

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**WEDC BOARD MEETING MINUTES  
BOARD OF DIRECTORS TELECONFERENCE**

**UWM Innovation Center  
1225 Discovery Parkway  
Wauwatosa, WI 53226**

**September 28, 2017  
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
- Nancy Hernandez, ABRAZO
- Representative Rob Hutton, 13th Assembly District
- Representative Peter Barca, 64th Assembly District
- Senator Tim Carpenter, 3rd Senate District
- Senator Dan Feyen, 18th Senate District
- David Drury, WING Capital Group
- R.D. Nair, University of Wisconsin School of Business
- Secretary Rick Chandler, Department of Revenue
- Secretary Scott Neitzel, Department of Administration

**BOARD MEMBERS PRESENT VIA TELECONFERENCE:**

- Ray Dreger, Seeds 'N Stuff Farm Market, Inc.
- Tom Sylke, Setter Roche LLP
- Jim Ladwig, SC Johnson

**BOARD MEMBERS EXCUSED:**

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

Lisa Mauer called the meeting to order at 1:01 p.m.

## **UW-MILWAUKEE INNOVATION CAMPUS**

UW-Milwaukee (UWM) Chancellor Mark Mone spoke to the Board about UWM's Innovation Campus, Lubar Entrepreneurship Center, Connected Systems Institute, and Freshwater University. He described how UWM delivers the education, skills, and connections that Wisconsin's workforce needs to meet employer demands in rapidly evolving fields.

## **APPROVAL OF MINUTES FROM THE JULY 13, 2017 MEETING**

*The Board received copies of the meeting minutes from the open and closed sessions of the 7/13/17 Board meeting.*

Nancy Hernandez moved to approve the minutes. Dave Drury seconded the motion. No objections were raised and the motion carried unanimously to approve the open and closed session minutes from 7/13/17 Board meeting.

## **CHAIR REPORT**

Lisa Mauer commented that the Annual Report on Economic Development gives WEDC and the Board a chance to look back on the past year and see how their efforts impact the state of Wisconsin.

## **CEO REPORT**

Mark Hogan reviewed recent events that WEDC was involved in with the Board:

- Completed a trade venture to Japan and South Korea in early September, with a mission to Israel at the end of October to focus on water technology
- Wisconsin Main Street Day was August 22<sup>nd</sup> and WEDC staff joined state officials in visiting 12 communities throughout the state to celebrate their achievements
- Wisconsin's two-year state budget passed which restored WEDC's base and tax credit program
- WEDC staff working on the Foxconn contract are taking the time needed to get it right, but still conscious of deadlines

Mark Hogan outlined the addendum added to the Enterprise Zone program guideline with the Board. The addendum was added to clarify the rules set down in statute in the most recently passed legislation regarding the definition of a full-time employee and average payroll.

Senator Dan Feyen moved to approve the Enterprise Zone program guideline addendum. Nancy Hernandez seconded the motion. No objections were raised and the motion carried unanimously to approve the addendum to the Enterprise Zone program guidelines.

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## **CFO REPORT**

Brian Nowicki informed the Board that Sikich completed their FY17 audit of WEDC. Staff are waiting on pension numbers from the Wisconsin Retirement System, but should have the Comprehensive Annual Financial Report ready for the November Board Meeting

Brian Nowicki reviewed the June 30, 2017 financials with the Board.

- Revenues show an unfavorable variance of \$0.9 million, mainly due to timing differences of when draws are requested for WEDC's federal grant programs -WEDC will be able to draw on these federal grant funds in FY18. In addition, investment interest income is lower than FY16, as WEDC recorded unrealized losses due rising short-term interest rates in FY17.
- Expenditures show a favorable variance of \$8.7 million due mainly to:
  - actual cash disbursements from current and prior year program awards were less than their program budgets
  - lower loan loss reserves, due primarily to reduced activity in the performance-based loan portfolio
  - operational expense savings in professional fees, travel, events and conferences, supplies and equipment, and research and marketing tools
- The fund balance shows favorable variance of \$7.8 million which will be used to fund the deficit spending plan for FY18.
- Fiscal Year 2017 program activity shows an 89% placement rate for FY17 funds with \$31.5 million in grants, loans, and key strategic partnerships committed or contracted.

## **REVIEW AND VOTE ON SUBMISSION OF THE ANNUAL REPORT ON ECONOMIC DEVELOPMENT (AS REQUIRED UNDER § WIS. STAT. 238.07(2))**

Tricia Braun informed the Board that the ARED report is a statutorily required report on the performance of the state's economic development programs. It is compiled by WEDC but it reports on WEDC's and all other state entities' economic development programs. The final numbers for FY17 were affected by the decision to change internal processes from decision date to contract date and the contract hiatus in June which was required to make that transition.

In FY17, WEDC and its key strategic partners assisted 4,256 businesses and 129 communities. WEDC issued 354 awards for a total amount of \$320,751,746. The leverage ratio on these awards averages at 9:1. The total capital investment for FY16 was \$2.1 billion dollars with 8,719 jobs created and 13,358 jobs retained.

Pete Norman demonstrated for the Board the many features of the online ARED report. The database is searchable, filterable, and hosted on WEDC's website. Available project information includes scope, timelines, amount of funds or tax credits expended, number of jobs created, etc. Pete Norman also showed the Board how the Impact map works and demonstrated the map's capabilities. New information available this year includes icon updates that show which companies have multiple awards with WEDC and the ability to view final numbers once a project has been completed.

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Ray Dreger moved to approve the submission of the ARED report. Senator Rob Hutton seconded the motion. No objections were raised and the motion carried unanimously to approve the ARED report.

## **COMMITTEE REPORTS**

### **Budget & Finance Committee Report**

*The Board was provided a summary of the September 18, 2017 Budget & Finance Committee meeting.*

### **Awards Administration Committee Report**

*The Board was provided a summary of the July 12, September 6, and September 8, 2017 Awards Administration Committee meetings.*

Dave Drury and Ray Dreger noted that all relevant information about the meetings could be found in the committee report summaries.

## **CLOSED SESSION**

In open session, Lisa Mauer proposed the Board enter closed session to discuss pending economic development project negotiations as recommended by the Awards Administration Committee.

Lisa Mauer requested a motion to approve entering closed session. Motion was made by Nancy Hernandez with a second by Dave Drury. The motion to move into closed session was approved unanimously.

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

*See separate minutes for closed session.*

## **RESUMPTION OF OPEN MEETING**

The meeting reconvened in open session at 3:03 p.m.

## **ADJOURNMENT**

Lisa Mauer adjourned the meeting at 3:04 p.m.

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**WEDC BOARD MEETING MINUTES  
BOARD OF DIRECTORS TELECONFERENCE**

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

**October 17, 2017  
11:00 A.M. - 12:00 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
- Representative Rob Hutton, 13th Assembly District
- Representative Peter Barca, 64th Assembly District
- Senator Tim Carpenter, 3rd Senate District
- David Drury, WING Capital Group
- R.D. Nair, University of Wisconsin School of Business

**BOARD MEMBERS PRESENT VIA TELECONFERENCE:**

- Ray Dreger, Seeds 'N Stuff Farm Market, Inc.
- Nancy Hernandez, ABRAZO
- Senator Dan Feyen, 18th Senate District
- Jim Ladwig, SC Johnson
- Secretary Scott Neitzel, Department of Administration

**BOARD MEMBERS EXCUSED:**

- Tom Sylke, Setter Roche LLP
- Secretary Rick Chandler, Department of Revenue

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

Lisa Mauer called the meeting to order at 11:09 a.m.

### **REVIEW AND VOTE ON THE EITMZ PROGRAM GUIDELINE**

Jenn Jin reviewed the new Electronics and Information Technology Manufacturing Zone (EITMZ) Program with Board members. This program was designed specifically for the Foxconn award.

Major terms of the program:

- Only one EITMZ may be designated in the state
- The EITMZ may last up to 15 years, but WEDC may cap the award and/or limit the number of years in which credits may be claimed.
- WEDC shall revoke tax benefits if the business supplies false or misleading information, leaves the state to conduct substantially the same business in a different area, and/or ceases operations in the state and does not renew operation of the business or a similar business in the state within 12 months.
- The company must meet contractually established job creation thresholds to qualify for Job Creation credit of 17% and Capital Investment credit of 15%.
- WEDC will require an annual independent third-party verification of project deliverables.

Representative Rob Hutton moved to approve the program guideline, motion seconded by Dave Drury with a unanimous vote to approve the EITMZ program guideline.

### **CLOSED SESSION**

In open session, Lisa Mauer proposed the Board enter closed session to discuss pending economic development project negotiations as recommended by the Awards Administration Committee.

Lisa Mauer requested a motion to approve entering closed session. Motion was made by Nancy Hernandez with a second by R.D. Nair. The Board moved into closed session with Senator Tim Carpenter standing in opposition.

*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 11:59 a.m.

### **ADJOURNMENT**

Lisa Mauer adjourned the meeting at 12:00 p.m.

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**A Guide to the Open Meetings Law  
for the  
Wisconsin Economic Development Corporation**

Meetings of the Board of Directors of the Wisconsin Economic Development Corporation are subject to Wisconsin's open meetings law. The Board's meetings must be announced with at least twenty-four hours notice, two hours under extenuating circumstances, and open to the public. Meetings, or portions of meetings, may be closed if the topic being covered falls within a statutory exception.

This manual outlines the scope of the open meetings law, the notice required in advance of a meeting, the circumstances under which a meeting may be closed, the requirements for a closed session, and penalties for violating the law. Following the more detailed outline is a summary intended to be used as a quick reference before and at Board meetings.

As a foundational matter, the policy underlying the open meetings law is that the public is entitled to the fullest information available about the operations of its representative government. The law is interpreted broadly in favor of transparency.

***The Scope of the Open Meetings Law***

The open meetings law applies to every meeting of "members of a governmental body for the purpose of exercising the responsibilities, authority, power or duties delegated to or vested in the body." Wis. Stat. § 19.82(2). This means that the law applies to a convening of Board members where (1) there is a purpose to engage in the official business of the Board and (2) the number of Board members present is sufficient to determine the Board's course of action, whether to affirmatively act or block an action. If half of the Board members are present, the law presumes the open meetings law applies.

The Board's official business includes any formal or informal action. It includes discussion, decision making, or information gathering on matters within the Board's scope of authority. In addition, meetings among non-Board members may be covered by the open meetings law if the Board creates a group – for example, among management of WEDC – and directs the group to advise the Board.

The law applies to meetings held in any forum. In person meetings must be accessible to the public. Phone conferences can be broadcast to the public in a conference room where a Board member or employee of WEDC is located.

Because email correspondence cannot be opened to the public for observation,<sup>1</sup> Board members should *not* use email – or any other electronic

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<sup>1</sup> Emails are subject to disclosure under the public records law. The difference is that the public cannot be a part of the email discussion while it is happening as required under the open meetings law.



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communication including text messaging – to communicate about official Board matters. If the requisite number of Board members is included in an email message, an unlawful meeting may unintentionally occur.

The open meetings law does not apply when Board members convene socially.

### **Advance Notice**

Each meeting of the Board must be preceded by notice provided by the Chair or the Chair's designee. Wis. Stat. § 19.83(1). The notice must be given to the public by posting the notice in one or more places likely to be seen by the general public, the official newspaper designated by state statute, and any other news media that have submitted a written request for a notice. Posting the notice online may supplement other methods but may not be the only method of noticing the public. The accompanying quick reference guide provides more specific information on posting the notice.

The notice must give the time, date, location, and subject matter of the meeting, including any matter intended for consideration during a contemplated closed session. Wis. Stat. § 19.84(2). The open meetings law requires the notice to inform the public of the meeting's agenda items, with sufficient specificity that a person interested in a topic would be made aware that the topic will be discussed. If the Chair or the Chair's designee is aware that a closed session is anticipated, the notice must also include that information along with the subject matter proposed to be discussed in closed session. The Board may not discuss matters – in an open or closed meeting – that are not listed on the notice.

The notice must be provided to the public and media at least twenty-four hours before the meeting begins. Wis. Stat. § 19.84(3). Sundays and legal holidays are not counted. This means notice for a Monday meeting could be provided on the preceding Saturday, not on Sunday. Under extenuating circumstances where twenty-four hour notice is impossible or impracticable, a meeting may be held when preceded by a shorter notice but no less than two hours. The Board should consult with WEDC's legal counsel before holding a meeting on less than twenty-four hours notice.

### **Ballots, Motions, and Roll Call Votes**

The open meetings law prohibits the use of secret ballots except for the election of officers of the Board. Wis. Stat. § 19.88(1). In addition, if a member of the Board requests that each member's vote on a matter be recorded, a voice vote or vote by a show of hands is not permissible unless the vote is unanimous and the minutes reflect the Board members present for the vote. Wis. Stat. § 19.88(2). Emails *cannot* be used to decide matters.

The Board must record and preserve a record – through minutes, for example – of all motions and roll-call votes at meetings, which must be open to public inspection under the public records law. Wis. Stat. § 19.88(3). This requirement on recording votes applies to open *and* closed meetings.

### **Closed Sessions**

All meetings of the Board must be open unless an exception applies. The open meetings law includes limited exceptions to the general rule of transparency. All exceptions require balancing the public policy reasons for closing or keeping a meeting open.



Because of the presumption that meetings are open and the fact specific nature of the exceptions, no Board meeting should be closed without first consulting with WEDC's legal counsel. In addition, Board members and counsel should keep in mind that there may be topics for which the discussion must be divided between an open and closed meeting because portions of the topic are not covered by one of the exceptions.

The Board should vote in open session unless the vote is an integral part of or would compromise the deliberations held in closed session.

The exceptions most likely to apply to Board meetings are:

**Discussions Closed for Competitive or Bargaining Reasons.** The Board may convene in a closed meeting to "deliberat[e] or negotiat[e] the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session." Wis. Stat. § 19.85(1)(e). This exception to the open meetings law applies to circumstances where confidentiality is *required*. For example, a closed meeting may be required when discussing a negotiation strategy or the terms of an offer, information about a company that constitutes a trade secret or has competitive value, or to protect WEDC's bargaining position in a deal. *Citizens for Responsible Development v. City of Milton*, 2007 WI App 114, ¶ 19, 300 Wis. 2d 649, 731 N.W.2d 640; *Katayama Correspondence*, Jan. 20, 2006 (DOJ Correspondence); *Herro v. Village of McFarland*, 2007 WI App 172, ¶ 19, 303 Wis. 2d 749, 737 N.W.2d 55. A request by a party with whom WEDC is doing business for confidentiality is not sufficient reason alone to close a meeting.

**Conferring with Legal Counsel.** Discussions with WEDC's legal counsel that constitute attorney-client communication can be held in a closed meeting. Wis. Stat. § 19.85(1)(g).

**Significant Personal Information.** Meetings may be closed when the Board is considering "financial, medical, social, or personal histories or disciplinary data of specific persons" *and* those discussions, if open to the public, "would have a substantial adverse effect on the reputation of the person at issue." Wis. Stat. § 19.85(1)(f).

**Employee Matters.** The Board may close a meeting to consider "employment, promotion, compensation or performance evaluation data of any public employee." Wis. Stat. § 19.85(1)(c). This exception is limited to discussions about a specific employee. It does not cover discussions about personnel matters generally, such as compensation levels. 80 Op. Att'y Gen. 176 (1992). Nor does the exception apply to appointments of board members to committees. Those discussions and decisions must be open. 76 Op. Att'y Gen. 276 (1987).

**Employee Discipline.** In addition to the above employment matters, the Board may also hold a closed meeting to consider dismissal, demotion, or discipline of an employee, or the investigation of charges against that person. Wis. Stat. § 19.85(1)(b). The Board may also close a meeting for preliminary consideration of personnel problems, or an investigation or charges against specific individuals where a dismissal, demotion, or discipline is considered *and*, again, an open discussion would have an adverse effect on the reputation on the person involved. Wis. Stat. § 19.85(1)(f). However, if the Board intends to hold an evidentiary hearing or make a final decision on a disciplinary matter, the employee must be given advance notice and may demand that the hearing or the final action be discussed in an open meeting. Wis.



Stat. § 19.85(1)(b). Note that the employee may not demand that the meeting be closed. Only members of the Board may move a meeting into closed session.

***Reconvening in an Open Meeting***

The Board cannot reconvene in an open meeting for at least twelve hours after completing the closed meeting, unless the subsequent open meeting had been properly noticed before the closed meeting. Wis. Stat. § 19.85(2).

***Penalties***

Board members who knowingly attend a meeting in violation of the open meetings law must pay a forfeiture of \$25 to \$300 for each violation in addition to court costs. However, a Board member will not be fined if he or she voted against the closed meeting. Wis. Stat. § 19.96. In addition to forfeitures, a court may void any action taken at an impermissibly closed meeting, or grant any other relief the Court determines is warranted. Wis. Stat. § 19.97.



**Quick Reference Guide to the Open Meetings Law  
for the  
Wisconsin Economic Development Corporation**

**Application.** The open meetings law applies to *all* meetings of the Board on official business. If at least half of the Board members have convened, the law presumes the meeting is subject to the open meetings requirements. The law does not, however, cover social or chance meetings that occur without intent to avoid the law.

**Email.** Board members should *not* conduct official business with one another through email communication because those communications may be subject to the open meetings law.

**Notice.** The Chair of the Board, or his or her designee, WEDC's Chief Legal Officer, must provide notice of the meeting at least 24 hours in advance, not including Sunday or holidays. That notice must include the time, date, location, and an agenda of the meeting. The notice should be

- submitted to the Wisconsin State Journal (as the official state newspaper),
- submitted to any other media outlet that has filed a written request for receipt of the notice,
- posted on the Assembly bulletin board,
- provided to the information desk at the capitol,
- distributed to the mailboxes in the capitol's press room (there are 28), and
- posted on WEDC's website.

**Closed Session.** The Board may hold a closed meeting to discuss the following types of matters<sup>2</sup>:

- Conducting public business, including investing public funds, when competitive or bargaining reasons require the meeting be closed. *Wis. Stat. § 19.85(1)(e).*
- Conferring with legal counsel on legal advice. *Wis. Stat. § 19.85(1)(g).*
- Financial, medical, social, or personal information of a specific person that would have a substantial adverse effect on the reputation of the person at issue. *Wis. Stat. § 19.85(1)(f).*
- Employment, promotion, compensation, or performance evaluation of a specific employee. (This does not include appointments on the Board.) *Wis. Stat. § 19.85(1)(c).*
- Dismissal, demotion, or discipline of an employee. *Wis. Stat.*

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<sup>2</sup> This list is not exhaustive but includes only the exceptions that are likely to apply to the Board.



§ 19.85(1)(b).

- Preliminary consideration of specific personnel problems or the investigation of charges against a specific person. *Wis. Stat. § 19.85(1)(f).*

**Procedure for Closing.** To close a meeting, the following steps must be followed:

- The Board must convene in open session.
- A member of the Board must move the Board to convene in closed session, describing the nature of the business to be discussed.
- The Board's Chair must reiterate the specific nature of the business to be discussed while closed and the statutory exception under Wis. Stat. § 19.85(1) that authorizes a closed meeting. For example, the Chair may state: *The Board now needs to enter into a closed session under Wis. Stat. § 19.85(1)(e) to discuss negotiations with a specific company on an offer by WEDC of financial support to that company. We must close the meeting to protect the State's bargaining position and the public's interest in maintaining the competitive nature of administering public resources for particular projects that have not been publicly announced. Or: The Board now needs to close its meeting under Wis. Stat. § 19.85(1)(c) to discuss the employment and compensation of a specific WEDC employee.*
- The announcement must be recorded in the meeting's minutes.
- The motion to convene in closed session must pass by a majority of Board members present.
- The votes of each Board member must be recorded in the minutes unless the motion is unanimous.

The Board may discuss only the matters included in the Chair's announcement preceding the closed meeting.





## **A Guide to the Public Records Law for the Wisconsin Economic Development Corporation**

WEDC is subject to the public records law. This guide is intended to be a general resource for WEDC board members on the parameters of the law and how WEDC generally responds to public records requests.

Wisconsin's public records law provides authorized requesters broad access to inspect or obtain records maintained by the State. The law embodies Wisconsin's commitment to transparency and open government: "It is declared to be the public policy of this state that all persons are entitled to the greatest possible information regarding the affairs of government and the official acts of those officers and employees who represent them." Wis. Stat. § 19.31.

On March 11, 2016, Governor Walker issued Executive Order #189, which directed state agencies to implement certain best practices in the areas of customer service to requestors, tracking of requests, clarity on costs, and staff training.

On March 9, 2017, Governor Walker issued Executive Order #235, which directed state agencies to report public records metrics, post open meeting notices and minutes to the Wisconsin public notice website and provide public records trainings to employees and board members.

WEDC has implemented into its practices all the requirements under Executive Orders 189 and 235.

### ***The Scope***

The scope of Wisconsin's public records law is broad. The presumption is that any materials prepared by, kept by, provided to, or created for WEDC are subject to public disclosure. Records that must be disclosed unless an exception applies include:

- typed, printed, and handwritten documents,
- emails,
- text messages,
- maps and charts,
- pictures,
- tapes, optical disks, and any other similar device for storage
- video and audio recordings, and
- electronically stored records.



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Materials that may not be subject to disclosure include:

- records relating to pending grants, loans, or economic development projects that must remain confidential to protect the competitive nature of the grant, loan, or project;
- personal records with *no* relation to the person's official position;
- drafts, notes, preliminary documents, and similar materials prepared for the originator's personal use or by the originator in the name of a person whom the originator is working;
- publically available published materials;
- materials with limited access due to copyright; and
- identical copies of an otherwise available record.

### ***Designations***

WEDC's Records Custodian under Wis. Stat. § 19.33 is Jennifer H. Jin, Chief Legal Officer. The Deputy Records Custodian is Colleen Uhlenkamp, Staff Counsel. WEDC's Records and Forms Officer under Wis. Stat. § 15.04(1)(j) is Patti Holden, Records Manager.

Staff must refer public records requests to WEDC's Chief Legal Officer or Staff Counsel. Questions about records retention, organization, and storage must be directed to the Records Manager.

### ***The Logistics of an Open Records Request***

Requestors may make a records request in any format desired – by phone, email, letter, etc. Although requestors generally use WEDC's online request form, the request does not have to be in writing.

A sufficient request must meet certain statutory requirements. The request must be reasonably specific as to the subject matter of the request and the length of time involved. The public's right to access only applies to records that exist at the time of the request. WEDC is not obligated to create documents to respond to a particular request or comply with continuing request for future records.

Every request is acknowledged within one business day of receipt. Each record will be examined by the records custodian or deputy records custodian to determine whether the record will be released and if any redactions are required. A written explanation with specific legal authority will accompany any decision to partially or fully deny a request.

The records custodian and deputy records custodian maintains a tracking system in Salesforce to track all public records requests. The records custodian, deputy records custodian, and communications manager meet regularly to review pending requests. The records custodian or deputy records custodian will coordinate with other agencies' records custodians when fulfilling requests that relate to multiple agencies.

WEDC must respond to a public records request "as soon as practicable and without delay." Wis. Stat. § 19.35(4)(a). Responding in a timely manner to requests is always a priority and staffing will be managed accordingly.



WEDC may charge the actual and necessary costs for locating and providing records. Location costs may only be charged if they exceed \$50. Requestors may be charged \$.15 per page for necessary copies of paper documents, and \$.07 per page for converting paper records to electronic records. Requestors will not be charged for providing an electronic copy of an electronically kept record, e.g. emails.

### ***Exceptions to Disclosure***

The Wisconsin State Statutes contain exceptions that apply broadly and to specific state entities. Exceptions to disclosure may include:

- Records related to pending awards
- Trade secrets
- Limited personnel information
- Sensitive Information, such as social security numbers, personal phone numbers, etc.

When relying on an exception to a request, WEDC must explain to the requestor the specific and sufficient legal basis for redacting information from a record or determining that a record cannot or should not be disclosed in its entirety.

### ***Penalties***

If a member of the public believes WEDC unlawfully failed to disclose a requested record, he or she may file a mandamus action under Wisc. Stat. § 19.37 to ask a court to order a release of the record or ask the local district attorney to file a lawsuit demanding the release of the record. The requestor may be awarded attorneys' fees, costs, and damages if he or she prevails.





# MEMO



**To:** WEDC Board of Directors  
**From:** Mark R. Hogan, Secretary & CEO  
**Date:** July 10, 2017  
**Re:** Credit and Risk Quarterly Report

The following information provides some general comments about the credit and risk reports as of September 30, 2017 which will be discussed as part of my CEO Report at our July 13, 2017 board meeting.

## Credit & Risk Quarterly Report

Note: 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.

- Past due loans of \$9.8mm (13.3% of total loans) at 9/30/17 compare to \$8.7mm (11.6%) as of 6/30/17.
- Included in the 9/30/17 total is a \$1.7mm performance-based loan to Printwork. The company has met the requirements for full forgiveness and this loan will be forgiven and removed from the list prior to 12/31/17.
- Excluding the Printwork loan, past due loans would have totaled \$8.1mm, or 11.0% of total loans and two borrowers (Kestrel - \$3.4mm and Green Box - \$1.1mm) represent 56% of the \$8.1mm.
- Excluding the Printwork loan, loss reserves of \$7.0mm (87% of past dues) have been established on the remaining \$8.1mm of past due loans.
- There are only two of the 22 borrowers on the past due list whose loans (a total of \$455k, or less than 6% of the total past due amount) were contracted for after May 2015.
- We continue to review the portfolio for additional loss exposure and will adjust reserves consistent with the practices we have implemented during the past two years.
- There was one Charge-Off in the current quarter for \$48,250.
- There were no Performance-Based Loans forgiven in the current quarter.
- There were three Tax Credit Revocations totaling \$487k in the current quarter, all of which have been referred to the Department of Revenue for processing.
- Overdue Performance Reports decreased significantly (from 80 to 53) from the seasonally high number reported at 6/30/17. Staff continues to pursue the older past dues with default notices being sent when and where appropriate.
- Similarly, the Overdue Schedule of Expenditures also decreased significantly (from 66 to 9), with the prior quarter's elevated totals due to seasonality.
- A summary of the Awards Origination schedule indicates 37 awards accounting for \$63 million in activity were processed in the current quarter.

### Appleton Coated ("AC")

- In 2014, AC's parent company announced they were selling the Combined Locks, WI facility, which at that time had 570 employees. Existing management arranged a buyout and WEDC (two loans totaling \$4mm) along with PNC Bank, provided a total of \$14mm in funded debt to purchase the assets.
- PNC also provided a working capital revolver and it received a first security interest in AC's assets with WEDC's loans subordinated to the bank debt. WEDC's loans were necessary to complete the transaction which kept the Combined Locks operation in place and also retained the 570 jobs in Wisconsin.
- WEDC was notified by management in mid-August of AC's decision to file a voluntary State of Wisconsin Chapter 128 petition for receivership. Chapter 128 is the state's version of the federal bankruptcy law.
- The company's press release indicated the filing was due to, "profitability in the North American graphics sector had deteriorated...due to digitization of communications and currency exchange rates that favor imports....and...these factors produced a decline in domestic demand, excess capacity and aggressive price competition."
- A Chapter 128 filing calls for the court to appoint a receiver (Attorney Michael Polsky) whose responsibility is to determine the best course of action (e.g. continue to run the business, liquidation, etc) for the benefit of the creditors.
- The receiver put the mill up for auction in late September and accepted a \$21.5 million bid from Industrial Assets Corp., a California-based equipment liquidator. The buyer made no commitment to retain any of the existing 620 employees and the final agreement is pending.
- In addition to PNC's secured loans, proceeds from the sale will be used to pay existing real and personal property taxes, priority wage claims and administrative expenses, all of which have a priority ahead of WEDC's subordinated position.
- There are some additional assets the receiver will attempt to liquidate, but it is expected that only minimal funds will be available for further distribution.
- WEDC's loans were not past due as of 9/30/17 because payments had been current prior to filing for the Chapter 128. However, we have taken appropriate action to increase the loss reserves against our loans in anticipation of a significant loss.

### Kestrel Aircraft

- Attached is background information, including the current status of our efforts to collect WEDC's loans, for Kestrel Aircraft.

Please contact me directly should you have any questions.

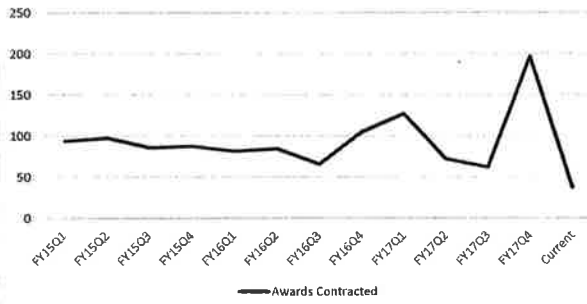
# Historical Trends

## FY18 Q1

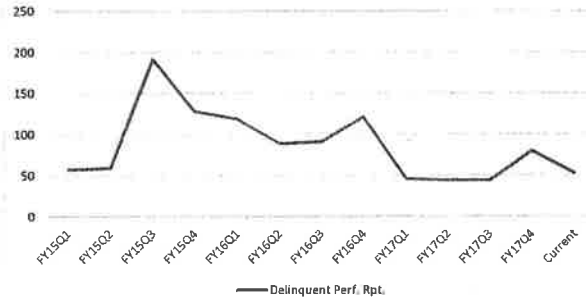
### Eight Quarter History

	Payment > 90 Days	Payment Delinquency (%)	Principal > 90 Days	Principal Delinquency (%)	Loan Balance	Delinquent Perf. Rpt.	Awards Contracted	Charge Off's
FY15Q1	384,718	0.6%	2,494,353	3.8%	65,553,483	57	94	817,757
FY15Q2	112,156	0.2%	1,267,855	1.8%	71,045,772	59	98	186,579
FY15Q3	194,340	0.3%	4,884,861	6.9%	70,472,405	191	86	116,777
FY15Q4	352,262	0.5%	4,652,414	6.4%	73,126,680	128	88	267,194
FY16Q1	397,654	0.5%	3,973,532	5.4%	74,184,584	119	82	420,636
FY16Q2	305,158	0.4%	3,963,326	5.0%	79,293,100	89	85	550,000
FY16Q3	278,344	0.4%	5,340,033	7.3%	72,679,354	91	66	1,017,885
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	-
Current	2,115,478	2.9%	9,815,076	13.3%	73,584,398	53	37	48,250

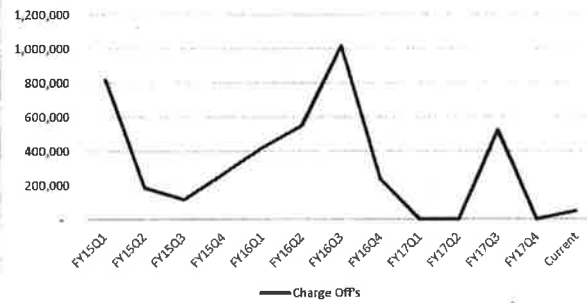
Awards Portfolio Contracting



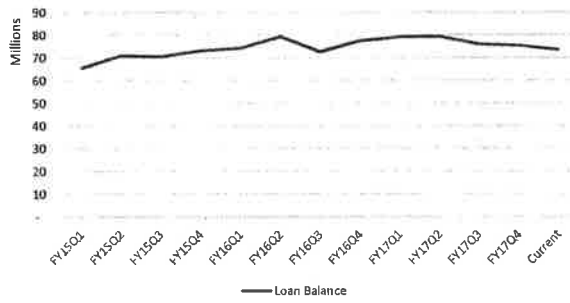
Performance Report Delinquencies



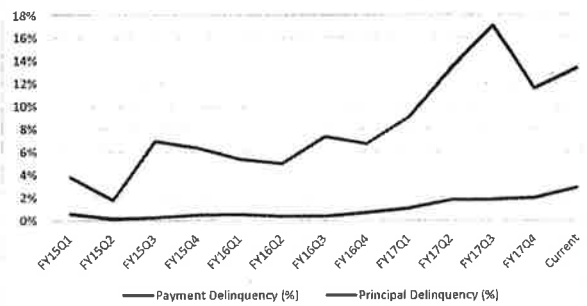
Loan Portfolio Charge Offs



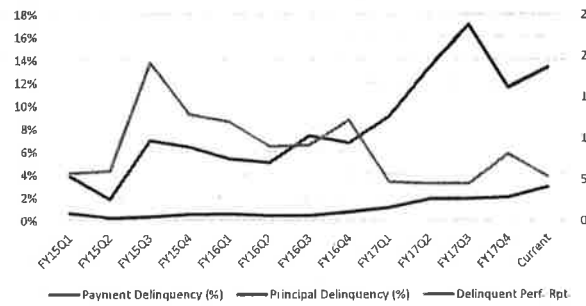
Loan Portfolio Growth



Loan Portfolio Delinquency



Delinquency



## Loans Past Due > 90 Days

as of 9/30/2017

Name	Program	Project County	Principal Balance	Past Due Amount	Date Contracted	Last Payment*	Days Overdue
Green Box NA Green Bay, LLC	BREI	Brown	\$ 1,116,000	\$ 103,840	10/5/2011	3/5/2015	948
Fer-Li Holsteins, LLC	MVP-R	Calumet	22,607	15,226	8/24/2011	9/1/2017	703
TW Design and Manufacturing,	SPLF	Marquette	250,000	155,860	2/10/2015		642
Infiniti Metals	BOLF	Waupaca	367,000	105,260	5/13/2014	1/25/2016	611
The Good Jobs, Inc.	TDL	Milwaukee	70,000	27,108	12/11/2014		611
Formrite Companies, Inc.	BREI	Manitowoc	328,343	142,455	5/14/2012	9/1/2017	551
Stablebody Technologies, LLC	TDL	Dane	72,450	34,709	8/20/2012	9/5/2017	521
AquaMost, Inc.	TVF	Dane	44,011	21,660	2/19/2008	12/6/2016	490
AquaMost, Inc.	TDL	Dane	207,958	103,710	12/10/2012	12/6/2016	460
Aurora Spectral Technologies	TDL	Milwaukee	152,439	50,556	6/8/2012	12/27/2016	460
Extend Manufacturing, LLC	BREI	Marathon	345,157	253,450	1/3/2013	9/15/2017	398
Echometrix LLC	TVF	Dane	247,487	59,994	7/13/2009	9/26/2017	368
Kestrel Aircraft Company, Inc.	BREI	Douglas	1,704,310	396,990	1/18/2012	11/15/2016	368
Kestrel Aircraft Company, Inc.	TDL	Douglas	1,698,065	395,516	12/19/2012	11/15/2016	368
Edison DC Systems, Inc	TDL	Milwaukee	227,018	19,333	7/9/2015	9/26/2016	337
SoLoMo Technology, Inc.	TDL	Dane	7,401	4,349	6/8/2012	2/1/2017	245
SoLoMo Technology, Inc.	TDL	Dane	41,124	18,600	4/5/2013	2/1/2017	245
SoLoMo Technology, Inc.	TDL	Dane	228,108	37,800	6/30/2015	2/1/2017	245
Ricardo E. & Maria Jimenez	MBD	Racine	20,583	1,583	1/19/2007	9/1/2017	186
Microscopy Innovations, LLC	RED3	Wood	100,000	12,155	6/4/2009		186
Microscopy Innovations, LLC	TDL	Wood	150,000	14,190	2/27/2013		186
RAI Stone Group, LLC	TDL	Eau Claire	200,000	1,320	11/12/2014	4/26/2017	156
Odyne Systems, LLC	TDL	Waukesha	243,878	35,193	3/19/2012	8/23/2017	125
Marvel Medtech, LLC	TDF	Dane	46,787	2,700	12/30/2005	12/6/2016	95
Printpack, Inc.	BREI	Oneida	1,700,000	309,300	6/17/2013		95
Vibetech, Inc.	TDL	Sheboygan	135,832	10,000	6/25/2012	12/6/2016	95
Salm Partners, LLC	BREI	Brown	88,520	109,068	12/9/2011	9/12/2017	95
<b>Total</b>			<b>\$ 9,815,076</b>	<b>\$ 2,441,926</b>			

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

Delinquent \$ 9,815,076



# Charged-Off Loans

FY18 Q1

Name	Program	Date Contracted	Award Amount	Effective Date	Charged Off Principal	Charged Off Interest
Eso-Technologies, Inc.	TVF	11/26/2008	\$ 100,000	9/18/2017	\$ 48,250	\$ -
<b>Total</b>	<b>1 Award</b>		<b>\$ 100,000</b>		<b>\$ 48,250</b>	<b>\$ -</b>

# Performance-Based Loans Forgiven

FY18 Q1

Name	Program	Date	Principal Forgiven	Interest Forgiven	Principal Remaining	Interest Remaining
None for FY18 Q1						
<b>Total</b>	<b>0 Awards</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Tax Credit Revocations

FY18 Q1

Name	Program	Date Contracted	Award Amount	Revocation Date	Revoked Amount	Payment and/or Referral Note	Amount Paid to WEDC	Date Paid to WEDC or Referred to DOR
Advanced Technology International	ETC	10/09/12	\$ 540,000	06/16/17	\$ 360,000	Did not create/retain contractual jobs in Wisconsin; revoked through DOR	-	08/04/17
Fire Safety Sales, LLC	ETC	05/21/13	100,000	08/04/17	5,556	Did not create/retain contractual jobs in Wisconsin; revoked through DOR	-	08/04/17
Beck Aluminum Alloys, LTD	ETC	06/02/15	300,000	08/24/17	122,160	Closed facility and did not create/retain contractual jobs in Wisconsin; revoked through DOR	-	08/24/17
<b>Total</b>	<b>3 Awardees</b>				<b>\$ 487,716</b>		<b>\$ -</b>	

# Overdue Performance Report List

as of 9/30/17

General Type	Name	Program	Overdue Reports	Project County	Days Overdue
Grant	Bunker Labs Wisconsin, Inc.	SA	1	Dane	107
Grant	Sheboygan, City of	CDI	1	Sheboygan	92
Grant	University of Wisconsin-Madison	CB-E	1	Dane	77
Grant	Whitewater Community Development Au	CC	1	Walworth	77
Grant	BioForward, Inc	CMAG	2	Dane	76
Grant	Superior, City of	CDI	1	Douglas	62
Grant	2151 S Robinson LLC	BF	1	Milwaukee	61
Grant	418 Division LLC	BF	1	Dane	61
Grant	Business Council, The (TBC)	CB	1	Milwaukee	61
Grant	Business Council, The (TBC)	MBD	1	Milwaukee	61
Grant	Cherry Water Street Corp.	BF	1	Milwaukee	61
Grant	Kaukauna, City of	CDI	1	Outagamie	61
Grant	Marinette County Association for Busines	BF	1	Marinette	61
Grant	Milwaukee, City of	CDI	1	Milwaukee	61
Grant	Sheboygan County Economic Developme	TIP	1	Sheboygan	61
Grant	Dairyland Electrical Industries, Inc.	IMAG-F	1	Dane	31
Grant	Ictect, Inc	IMAG-F	1	Waukesha	31
Grant	Lakewood Plaza II, LLC	BF	1	Dane	31
Grant	MacDonald & Owen Lumber Co., Inc.	IMAG-F	1	Monroe	31
Grant	Power Test, Inc.	IMAG-F	1	Waukesha	31
Grant	Urso & Urso, Inc.	IMAG-F	1	Dane	31
Investor Tax Credit	Altus Medical Group, Inc.	QNBV	1	Dane	213
Investor Tax Credit	Behold.ai Inc	QNBV	1	Dane	213
Investor Tax Credit	GoHITLIST Corporation	QNBV	1	Milwaukee	213
Investor Tax Credit	Wellsys, LLC	QNBV	1	Dane	213
Loan	Coating Systems LLC	SPLF	1	Outagamie	213
Loan	Formrite Companies, Inc.	BREI	1	Manitowoc	213
Loan	PDM Solar, Inc.	WEIF	1	Marathon	75
Tax Credit	Dorner Mfg. Corp.	ETC	1	Waukesha	669
Tax Credit	407 N Grand Partnership	HTC	1	Waukesha	639
Tax Credit	Solaris, Inc.	ETC	2	Milwaukee	578
Tax Credit	The FNA Group Inc.	JTC	2	Kenosha	578
Tax Credit	Coenen Mechanical LLC	JTC	1	Outagamie	213
Tax Credit	Gardner Denver, Inc.	JTC	1	Milwaukee	213
Tax Credit	Kem Krest - Pleasant Prairie	BTC	1	Kenosha	213
Tax Credit	Laserwords U.S. Inc.	ETC	1	Dane	213
Tax Credit	Seda North America, Inc.	ETC	1	Racine	213
Tax Credit	Wisconsin Corrugated Pallets	ETC	1	St. Croix	213
Tax Credit	Blue7 Solutions, LLC	ETC	1	Milwaukee	184
Tax Credit	Danisco USA, Inc.	ETC	1	Dane	121
Tax Credit	Menasha Packaging	ETC	1	Winnebago	121
Tax Credit	Travel Guard Group, Inc	JTC	1	Portage	121
Tax Credit	Baker Cheese Factory, Inc.	ETC	1	Fond du Lac	91
Tax Credit	Wisconsin Oven Corporation	BTC	1	Walworth	75

# Overdue Performance Report List - I

as of 9/30/17

General Type	Name	Program	Overdue Reports	Project County	Days Overdue
Tax Credit	Cintas Corporation No 2	BTC	1	Outagamie	60
Tax Credit	LLB Investments, LLC	ETC	1	Sauk	60
Tax Credit	Roadrunner Transportation Services, Inc.	ETC	1	Milwaukee	60
Tax Credit	Comply365 Holdings, Inc.	ETC	1	Rock	32
Tax Credit	Green Bay Anodizing, Inc.	ETC	1	Brown	32
Tax Credit	Serigraph, Inc.	ETC	1	Washington	32
Total	50 Awardees		53		

# Overdue SoE, VS Listing

as of 9/30/17

General Type	Name	Program	Overdue SoE/VS	Project County	Days Overdue
Grant	African American Chamber of Commerce of Wisconsin, Inc.	MRLF	1	Milwaukee	153
Grant	African American Chamber of Commerce of Wisconsin, Inc.	MBD	1	Milwaukee	153
Grant	Deerfield, Village of	SAG	1	Dane	153
Grant	Wisconsin Technology Innovation Initiative, Inc.	CC	1	Dane	334
Loan	Aurora Spectral Technologies LLC	TDL	1	Milwaukee	183
Loan	Formrite Companies, Inc.	BREI	1	Manitowoc	273
Loan	Quietyme, Inc.	TDL	1	Marquette	153
Loan	Swallow Solutions, LLC	TVF	1	Dane	2009
Loan	Wisconsin Whey Protein, Inc	CERLF	1	Lafayette	153
<b>Total</b>	<b>9 Awards</b>		<b>9</b>		

# Awards Origination

FY18 Q1

General Type	Name	Program	Amount	Date Contracted	Project County
Bonding Authority	HSI Muskego Industrial, LLC	IRB	\$5,500,000	7/10/2017	Waukesha
Bonding Authority	Dynamic Recycling, Inc.	IRB	\$15,600,000	7/19/2017	La Crosse
Grant	Madison Region Economic Partnership	CB	\$50,000	9/12/2017	Dane
Grant	Viroqua, City of	CDI	\$250,000	8/10/2017	Vernon
Grant	Monona, City of	CDI	\$250,000	9/5/2017	Dane
Grant	Center for Technology Commercialization	EMG	\$200,000	8/17/2017	Dane
Grant	Milwaukee County	SAG	\$150,000	8/28/2017	Milwaukee
Grant	Center for Technology Commercialization	SBIR	\$1,000,000	8/17/2017	Dane
Investor Tax Credit	Cata LLC	QNBV	\$100,000	7/31/2017	Milwaukee
Investor Tax Credit	Forward Move, LLC	QNBV	\$146,250	7/31/2017	Brown
Investor Tax Credit	Radom Corporation	QNBV	\$375,000	7/31/2017	Milwaukee
Investor Tax Credit	Arbre Technologies LLC	QNBV	\$112,500	8/3/2017	Milwaukee
Investor Tax Credit	Aurizon Ultrasonics, LLC	QNBV	\$250,000	8/28/2017	Outagamie
Investor Tax Credit	Gig Blender, LLC	QNBV	\$125,000	8/28/2017	Dane
Investor Tax Credit	DataChat Inc.	QNBV	\$800,000	9/12/2017	Dane
Investor Tax Credit	Hovertoon, LLC	QNBV	\$50,000	9/12/2017	Milwaukee
Investor Tax Credit	Logistibid Corporation	QNBV	\$250,000	9/21/2017	Milwaukee
Investor Tax Credit	Snippet Corp	QNBV	\$100,000	9/21/2017	Dane
Investor Tax Credit	Northern Star Fire LLC	QNBV	\$125,000	9/25/2017	Eau Claire
Investor Tax Credit	Winnebago Seed Fund I, LP	QVF		8/28/2017	Winnebago
Loan	PerBlue Entertainment, Inc	TDL	\$500,000	8/30/2017	Dane
Operation	BrightStar Wisconsin Foundation, Inc.	WEDC-P	\$50,000	8/9/2017	Milwaukee
Operation	Wisconsin Technology Council	WEDC-P	\$310,000	8/9/2017	Dane
Operation	Wisconsin Women's Business Initiative Corporation	WEDC-P	\$350,000	8/10/2017	Milwaukee
Operation	Center for Technology Commercialization	WEDC-P	\$540,000	8/17/2017	Dane
Tax Credit	Pro-Active Engineering, Inc.	BTC	\$80,000	9/5/2017	Dane
Tax Credit	Fisher Barton Blades Inc	BTC	\$180,000	9/12/2017	Jefferson
Tax Credit	Grover Corporation	BTC	\$750,000	9/12/2017	Milwaukee
Tax Credit	iMark Molding, Inc.	BTC	\$350,000	9/13/2017	St. Croix
Tax Credit	Nine Realms, Inc.	BTC	\$115,000	9/13/2017	Dane
Tax Credit	Jacquart Fabric Products	BTC	\$167,500	9/14/2017	Marathon
Tax Credit	Heartland Technology Group, Inc.	BTC	\$241,800	9/19/2017	Outagamie
Tax Credit	Heartland Cooperative	BTC	\$280,000	9/25/2017	Clark
Tax Credit	HIEP, LLC	BTC	\$250,000	9/25/2017	Jefferson
Tax Credit	Masters Gallery Foods, Inc	BTC	\$2,550,000	9/25/2017	Sheboygan
Tax Credit	Generac Power Systems Inc	EZ	\$10,000,000	7/14/2017	Waukesha
Tax Credit	Kwik Trip, Inc	EZ	\$21,000,000	9/14/2017	La Crosse
<b>Total</b>	<b>37 Awards and Operations</b>		<b>\$ 63,148,050</b>		

Bonding	2	\$ 21,100,000
Grant	6	1,900,000
Investor Tax Credit	12	2,433,750
Loan - BOLF	0	-
Loan - TDL	1	500,000
Partner Operation	4	1,250,000
Tax Credit - BTC	10	4,964,300
Tax Credit - EZ	2	31,000,000
Tax Credit - HTC	0	-
<b>Total</b>	<b>37</b>	<b>\$ 63,148,050</b>

# Amendment List

FY18 Q1

Name	Contracted Date	Program	Amendment Date	Amendment Reason
Fairway Independent Mortgage Corpor	06/13/16	BTC	07/12/17	Change Project Scope
Enerpac	08/19/13	JTC	07/12/17	Adjust Reporting
Solomon Transformers, LLC	04/20/16	BTC	07/12/17	Other
Rugged Video LLC	12/06/16	IMAG	07/13/17	Budget Change
Plexus Corp.	05/14/12	EZ	07/13/17	Other
ioGenetics, LLC	05/12/09	TVF	07/18/17	
ioGenetics, LLC	10/14/03	TDF	07/18/17	
Sheboygan Paper Box Co.	12/19/16	BTC	07/24/17	Other
Fi-Med Management, Inc.	05/01/12	BREI	07/27/17	Defer Payments
Schusters Redevelopment LLC	04/13/16	HTC	07/27/17	Lower/Increase Award Amount
The New North, Inc.	06/07/16	CB	07/27/17	Extend Draw Period
Franklin Fueling Systems	04/15/13	ETC	08/03/17	Name Change
PPG GP LLC	08/01/16	HTC	08/09/17	Change Certification Date
Sub-Zero Group, Inc.	10/07/15	JTC	08/09/17	Fix Typo
The Art Commission, LLC	12/09/13	TDL	08/10/17	Defer Payments
Hilldale Real Estate LLC	07/27/16	BF	08/24/17	Budget Change
Menomonee Falls, Village of	06/13/16	CDI	08/24/17	Extend Draw Period
Datica Health, Inc.	03/20/16	TDL	08/28/17	Name Change
W.W. Grainger, Inc.	06/29/16	DOZ-J	09/05/17	Fix Typo
FaB Wisconsin	07/08/16	SA	09/05/17	Adjust Reporting
Whitney School Development, LLC	06/26/17	HTC	09/05/17	Lower/Increase Award Amount
Council of Great Lakes Governors Inc	09/08/16	WEDC-P	09/05/17	Budget Change;Lower/Increase Award
Burlington, City of	06/29/16	CDI	09/12/17	Extend Draw Period
Dropp Inc.	05/03/17	QNBV	09/13/17	Name Change
American Packaging Corporation	06/09/16	BTC	09/13/17	Other
Fifth Street School LLC	05/10/17	HTC	09/14/17	Lower/Increase Award Amount
Schreiber Foods - Richland Center	03/06/14	BREI	09/15/17	Change Reporting Date;Defer Paymen
Carnivore Meat Company LLC	12/28/16	BTC	09/15/17	Fix Typo
Centergy, Inc.	05/15/17	CB	09/19/17	Adjust Reporting
Uline, Inc.	12/22/10	EZ	09/19/17	Other
Riddell Sports Group, Inc.	07/28/16	BTC	09/21/17	Fix Typo
Polyfab Corporation	11/03/14	JTC	09/21/17	Fix Typo
Spee-Dee Packaging Machinery, Inc	02/01/17	IMAG	09/21/17	Budget Change
Chippewa Falls, City of	07/27/16	CDI	09/25/17	Change Project Scope
Mercury Marine	11/17/10	EZ	09/25/17	Fix Typo
<b>Total Awards</b>	<b>35</b>			



# UPDATE ON KESTREL AIRCRAFT

UPDATED: OCTOBER 27, 2017



- Kestrel Aircraft received two loans in 2012 that are being administered by WEDC:
  - A \$2 million Business Expansion and Retention Investment loan from WEDC, and
  - A \$2 million State Small Business Credit Initiative loan, which is a federally funded loan.
- The company was also certified in January 2012 to receive up to \$18 million in Enterprise Zone (EZ) Tax Credits from WEDC over eight years, contingent upon meeting job creation, capital investment and employee training goals.
- Under the terms of the EZ tax credit contract, Kestrel projected it would create 665 new jobs, make \$46.1 million in capital investments, and spend \$5.1 million on employee training through 2019. This contract, like all tax credit awards from WEDC, is performance-based. The state incentives were based on Kestrel's projections, which must be met in order to receive the full amount of state incentives.
- WEDC made the investments in Kestrel in an effort to bring hundreds of much-needed jobs to northwestern Wisconsin. At the time of the awards, the unemployment rate in Douglas County was 7.9%. WEDC is aware that providing assistance to startup companies has risks, but believes in supporting startups that have the potential to make a significant impact on the regional and state economy—including companies like Kestrel.
- To date, Kestrel has earned \$717,500 in tax credits. These tax credits are based on reports from Kestrel that the company has 25 full-time employees in Wisconsin, has made \$1.1 million in capital investment and has spent \$380,000 on employee training.
- Because of cash flow issues, which are not uncommon in startups, the company was unable to regularly make its payments on its two loans in late 2013 and early 2014. After a couple of months of discussions with the company, WEDC in June 2014 reached an agreement with Kestrel to modify the terms of both loans in an effort to give the company some relief from its cash flow issues.
- Under the loan modification, all payments were deferred until Nov. 1, 2014. Beginning on Nov. 1, 2014, Kestrel agreed to make interest-only payments for one year. After the one year of interest-only payments, the amended loan agreements then required Kestrel to pay both interest and principal for the remaining 59 months of the loans, with a final payment due on Oct. 1, 2020.
- Since the agreements were modified in November 2014, Kestrel made periodic principal and interest payments totaling \$865,490. However, the company has not made any of its scheduled monthly payments in 2017, its last payment was made on Nov. 15, 2016. The company is currently past due on both loans – with combined payments of about \$648,000 due on the two loans.

- On Dec. 9, 2016, WEDC Secretary Mark Hogan and Vice Presidents Barb LaMue and Aaron Hagar met in Superior with representatives of Kestrel, WHEDA, the City of Superior and Douglas County to receive an update on the company's status and to attempt to develop a path forward for this project.
- On Jan. 11, 2017, WEDC sent Kestrel a notice indicating the company was 90 days overdue on its payments.
- On Feb. 13, 2017, Kestrel received a default notice from WEDC stating that the company has 30 days to cure the default by making a payment of \$180,450. The company did not meet that March 13 deadline and the company is now in default of its loans.
- In May 2017, WEDC entered into a forbearance agreement with Kestrel in which we agreed to delay legal action against the company to again give it a chance to become current on payments. That agreement had an Aug. 31 deadline.
- Due to Kestrel's inability to show measurable progress towards obtaining financing, WEDC is moving forward with legal action against the company. At this point, WEDC has not gone to court to recoup the funds, but we will pursue any and all remedies available to us to protect the state's investment.
- Since the contracts were first entered into with Kestrel in January 2012, WEDC has fulfilled all its contractual obligations. Since that time, WEDC has worked with the company, its bank and also local officials to take the steps needed to give Kestrel the best possible chance of succeeding. Throughout the entire process, WEDC has worked closely with our local partners in the city of Superior and Douglas County.

*If you have further questions regarding Kestrel, please contact Mark Maley at 608.210.6706.*



# 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 1, 2017

**Re:** September 30, 2017 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 – 12)

## **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. The new Fund Balance Policy requires unassigned fund balance to equal one sixth of WEDC's annual administrative cost. Any excess funds over and above the calculated unassigned balance will be prospectively allocated pro-rata to programmatic budgets.
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, International), marketing and administration.

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3. Schedule of Expenditures - by Object – by Department
  - 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 FY18 - 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. FY18 expended - represent the total cash payments, or draws, on contracts during fiscal year 2018. As mentioned above, loans are not considered expenditures. The amounts included in the FY18 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.

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
as of September 30, 2017

	FY 17 as of 6/30/2017	FY 18 YTD
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,228,387	18,648,888
Investments	50,676,979	50,800,403
Accounts receivable & due from other governments	822,508	270,954
Accrued interest on investments	111,358	-
Prepaid items	446,789	52,232
Loans receivable - collectible	49,523,692	48,311,911
Loans receivable - performance based	21,045,400	20,545,400
Allowance for loans receivable	(32,024,550)	(34,754,046)
Interest on loans receivable (net of allowance)	1,348,083	1,367,756
<b>TOTAL ASSETS</b>	<b>\$ 110,178,646</b>	<b>105,243,498</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,747,577	89,683
Accrued awards	2,427,411	746,946
Accrued expenses	414,065	-
Accrued wages	219,641	-
Payroll related liabilities	67,598	138,720
Total Liabilities	5,876,292	975,349
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues	619,957	196,176
Total Deferred Inflows of Resources	619,957	196,176
<b>FUND BALANCES</b>		
Nonspendable - prepaids	446,789	52,232
Nonspendable - long-term receivables	38,544,542	34,103,265
Restricted for		
Economic development	37,807,800	35,525,976
Brownfield site assessment	1,891,533	2,031,005
SSBCI	2,039,492	2,072,538
Assigned for		
Loan guarantees	571,867	571,867
Compensated absences	609,024	609,024
Note payable to State of Wisconsin	2,134,044	2,134,044
Open commitments	650,000	964,000
Programs FYXX	15,728,097	-
Unassigned	3,259,209	26,008,022
Total Fund Balances	103,682,397	104,071,973
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 110,178,646</b>	<b>\$ 105,243,498</b>

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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, 2017

	FY 17 Actual	FY 18 YTD Actual	FY 18 Budget	Variance with Budget	FY18 % Rec'd or Used
<b>REVENUES</b>					
Intergovernmental revenue	\$ 36,950,510	\$ 9,235,915	\$ 36,279,290	\$ 27,043,375	25.5%
Charges for services	223,762	35,500	220,000	184,500	16.1%
Interest income	1,822,528	579,280	1,900,000	1,320,720	30.5%
Other revenues	259,666	113,365	263,602	150,237	43.0%
Total Other Revenues	<u>39,256,466</u>	<u>9,964,060</u>	<u>38,662,892</u>	<u>28,698,832</u>	<u>25.8%</u>
<b>EXPENDITURES - BY OBJECT</b>					
Programs	15,977,765	1,930,462	22,364,000	20,433,538	8.6%
Key strategic partners	3,499,409	(22,181)	4,352,500	4,374,681	-0.5%
Loan loss reserve -Collectible	4,280,430	2,777,746	2,500,000	(277,746)	111.1%
Loan loss reserve - Performance Based	1,089,006	-	-	-	0.0%
Total direct economic development	<u>24,846,610</u>	<u>4,686,027</u>	<u>29,216,500</u>	<u>24,530,473</u>	<u>16.0%</u>
Marketing and communications	3,074,674	603,105	3,885,528	3,282,423	15.5%
Payroll and benefits	10,340,618	2,234,260	11,259,902	9,025,642	19.8%
Operations and general	4,360,857	1,643,314	5,064,592	3,421,278	32.4%
Pass-through federal grant expenditures	400,936	405,447	640,590	235,143	63.3%
Capital	291,761	2,330	124,000	121,670	1.9%
Debt service	202,674	-	850,000	850,000	0.0%
Total Expenditures	<u>43,518,130</u>	<u>9,574,483</u>	<u>51,041,112</u>	<u>41,466,629</u>	<u>18.8%</u>
<b>Net Change in Fund Balance</b>	<u>(4,261,664)</u>	<u>389,577</u>	<u>\$ (12,378,220)</u>	<u>\$ (12,767,797)</u>	
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>107,944,061</u>	<u>103,682,397</u>			
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 103,682,397</u>	<u>\$ 104,071,974</u>			

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF EXPENDITURES  
BY OBJECT - BY DEPARTMENT  
For the period ended September 30, 2017**

	FY 17 Actual	FY 18 YTD Actual	FY 18 Budget	Unallocated Budget	FY18 % Rec'd or Used
<b>Programs</b>					
Entrepreneurship & Innovation - 2000	\$ 4,487,310	\$ 1,080,913	\$ 4,200,000	\$ 3,119,087	25.7%
Business and Community Development - 3000	9,003,226	658,304	12,600,000	11,941,696	5.2%
Sector Strategy Development - 4000	1,657,206	94,122	3,600,000	3,505,878	2.6%
International Business Development - 7000	830,023	97,123	1,714,000	1,616,877	5.7%
Office of Public Policy - 8000	-	-	250,000	250,000	0.0%
<b>Total Programs</b>	<b>15,977,765</b>	<b>1,930,462</b>	<b>22,364,000</b>	<b>20,433,538</b>	<b>8.6%</b>
<b>Partnerships</b>					
Entrepreneurship & Innovation - 2000	1,273,801	-	1,250,000	1,250,000	0.0%
Business and Community Development - 3000	791,928	(22,181)	1,622,500	1,644,681	-1.4%
Sector Strategy Development - 4000	1,250,000	-	1,250,000	1,250,000	0.0%
International Business Development - 7000	183,680	-	230,000	230,000	0.0%
<b>Total Partnerships</b>	<b>3,499,409</b>	<b>(22,181)</b>	<b>4,352,500</b>	<b>4,374,681</b>	<b>-0.5%</b>
<b>Loan Loss Reserve</b>					
Entrepreneurship & Innovation - 2000	2,526,349	383,069	500,000	116,931	76.6%
Business and Community Development - 3000	2,843,087	2,394,677	2,000,000	(394,677)	119.7%
<b>Total Loan Loss Reserve</b>	<b>5,369,436</b>	<b>2,777,746</b>	<b>2,500,000</b>	<b>(277,746)</b>	<b>111.1%</b>
<b>Marketing &amp; Communications - 5000</b>	<b>3,074,674</b>	<b>603,105</b>	<b>3,885,528</b>	<b>3,282,423</b>	<b>15.5%</b>
<b>Payroll and Benefits</b>					
Legal Services - 1100	887,479	222,741	1,025,803	803,062	21.7%
Executive Office - 1200	1,313,629	194,486	969,923	775,437	20.1%
Operations & Program Performance - 1300	-	90,466	373,212	282,746	24.2%
Entrepreneurship & Innovation - 2000	521,213	114,647	529,062	414,415	21.7%
Business and Community Development - 3000	2,038,101	462,207	2,185,448	1,723,241	21.1%
Business & Investment Attraction - 3500	321,663	54,093	315,260	261,167	17.2%
Sector Strategy Development - 4000	786,933	148,886	781,455	632,569	19.1%
Marketing & Communications - 5000	731,283	172,048	814,926	642,878	21.1%
Human Resources - 6100	519,563	109,225	675,395	566,170	16.2%
Finance - 6200	417,182	78,410	439,009	360,599	17.9%
Information Technology - 6300	682,614	127,664	802,102	674,438	15.9%
Credit and Risk - 6600	857,546	177,764	1,049,418	871,654	16.9%
International Business Development - 7000	772,980	170,531	801,052	630,521	21.3%
Office of Public Policy - 8000	490,432	111,092	497,837	386,745	22.3%
<b>Total Payroll and Benefits</b>	<b>10,340,618</b>	<b>2,234,260</b>	<b>11,259,902</b>	<b>9,025,642</b>	<b>19.8%</b>

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

SCHEDULE OF EXPENDITURES  
BY OBJECT - BY DEPARTMENT  
For the period ended September 30, 2017

	FY 17 Actual	FY 18 YTD Actual	FY 18 Budget	Unallocated Budget	FY18 % Rec'd or Used
<b>Operations and General</b>					
Legal Services - 1100	115,180	32,006	110,865	78,859	28.9%
Executive Office - 1200	426,229	29,351	267,750	238,399	11.0%
Operations & Program Performance - 1300	-	67	34,550	34,483	0.2%
Entrepreneurship & Innovation - 2000	29,114	11,510	36,700	25,190	31.4%
Business and Community Development - 3000	595,620	44,366	547,700	503,334	8.1%
Business & Investment Attraction - 3500	409,961	346,624	573,043	226,419	60.5%
Sector Strategy Development - 4000	91,249	34,746	143,875	109,129	24.2%
Human Resources - 6100	616,859	234,455	744,286	509,831	31.5%
Finance - 6200	213,080	39,316	135,268	95,952	29.1%
Information Technology - 6300	1,308,301	645,390	1,501,774	856,384	43.0%
Credit and Risk - 6600	12,549	1,754	17,750	15,996	9.9%
International Business Development - 7000	520,055	222,774	924,531	701,757	24.1%
Office of Public Policy - 8000	22,660	955	26,500	25,545	3.6%
<b>Total Operation and General</b>	<b>4,360,857</b>	<b>1,643,314</b>	<b>5,064,592</b>	<b>3,421,278</b>	<b>32.4%</b>
<b>Pass-through federal grant expenditures</b>	<b>400,936</b>	<b>405,447</b>	<b>640,590</b>	<b>235,143</b>	<b>63.3%</b>
<b>Capital</b>					
Marketing & Communications - 5000	250,057	-	-	-	0.0%
Human Resources - 6100	2,913	2,330	84,000	81,670	2.8%
Finance - 6200	38,791	-	40,000	40,000	0.0%
Information Technology - 6300	-	-	-	-	0.0%
<b>Total Capital</b>	<b>291,761</b>	<b>2,330</b>	<b>124,000</b>	<b>121,670</b>	<b>1.9%</b>
<b>Debt Service</b>					
Finance - 6200	202,674	-	850,000	850,000	0.0%
<b>Total Debt Service</b>	<b>202,674</b>	<b>-</b>	<b>850,000</b>	<b>850,000</b>	<b>0.0%</b>
<b>Total</b>	<b>\$ 43,518,130</b>	<b>\$ 9,574,483</b>	<b>\$ 51,041,112</b>	<b>\$ 41,466,629</b>	<b>18.8%</b>

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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, 2017

Div.	Account No. and Name	FY18 Actuals through 9/30/17						FY18 Pipeline through 10/25/17				
		A		B		C		D=A+B+C	FY18 % Rec'd or Used	Application Pipeline	Unallocated Budget FY18 Including Pipeline	FY18 % Rec'd or Used or in Pipeline
		FY18 Funding	Open Commitments	Open Contracts	FY 17 Expended	Committed/Contract FY 18 YTD Expended	Unallocated Budget FY18					
<b>Programs</b>												
2000 6630 - Seed Accelerator Program		1,000,000	-	-	-	-	1,000,000	0.0%	215,600	784,400	21.6%	
2000 6646 - Entrepreneur Micro Grant Program		200,000	-	200,000	-	200,000	-	100.0%	-	-	100.0%	
2000 6650 - Capital Catalyst Program		1,500,000	-	-	-	-	1,500,000	0.0%	-	1,500,000	0.0%	
2000 6600.1 - Capacity Building Grants - E&I		500,000	-	-	-	-	500,000	0.0%	-	500,000	0.0%	
2000 6731 - SBR/SITR Matching Grant		1,000,000	-	1,000,000	-	1,000,000	-	100.0%	-	-	100.0%	
<b>Total E&amp;I Grants</b>		<b>4,200,000</b>	<b>-</b>	<b>1,200,000</b>	<b>-</b>	<b>1,200,000</b>	<b>3,000,000</b>	<b>28.6%</b>	<b>215,600</b>	<b>2,784,400</b>	<b>33.7%</b>	
3000 6600 - Capacity Building Grants - BCD		500,000	-	50,000	-	50,000	450,000	10.0%	62,000	388,000	22.4%	
3000 6620 - Workforce Training Grants		2,000,000	-	-	-	-	2,000,000	0.0%	250,000	1,750,000	12.5%	
3000 6680 - Community Development Inv. Grants		3,000,000	750,000	500,000	-	1,250,000	1,750,000	41.7%	746,500	1,003,500	66.6%	
3000 6710 - Brownfield Site Assessment Grants		1,000,000	-	-	-	-	1,000,000	0.0%	343,500	656,500	34.4%	
3000 6720 - Brownfield Program Grants		4,000,000	-	-	-	-	4,000,000	0.0%	1,325,900	2,674,100	33.1%	
3000 6725 - Idle Sites Program		2,000,000	-	-	-	-	2,000,000	0.0%	-	2,000,000	0.0%	
3000 6753 - Revolving Loan Fund - LEG		100,000	-	-	-	-	100,000	0.0%	-	100,000	0.0%	
<b>Total BCD Grants</b>		<b>12,600,000</b>	<b>750,000</b>	<b>550,000</b>	<b>-</b>	<b>1,300,000</b>	<b>11,300,000</b>	<b>10.3%</b>	<b>2,727,900</b>	<b>6,572,100</b>	<b>32.0%</b>	
4000 6640 - Targeted Industry Project Grants		3,000,000	-	-	-	-	3,000,000	0.0%	1,494,125	1,505,875	49.8%	
4000 6755 - Fabrication Laboratories		500,000	-	-	-	-	500,000	0.0%	-	500,000	0.0%	
4000 6754 - FabLab TA - LEG		100,000	-	-	-	-	100,000	0.0%	-	100,000	0.0%	
<b>Total SSD Grants</b>		<b>3,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,600,000</b>	<b>0.0%</b>	<b>1,494,125</b>	<b>2,105,875</b>	<b>41.5%</b>	
7000 6655 - Exportech		214,000	214,000	-	-	214,000	-	100.0%	-	-	100.0%	
7000 6665.1 - International Market Access Grant		750,000	-	-	-	-	750,000	0.0%	45,000	705,000	6.0%	
7000 6665.2 - Collaborative Market Access Grant		450,000	-	-	-	-	450,000	0.0%	-	450,000	0.0%	
7000 6665.4 - International Market Access Grant - STEP		300,000	-	-	-	-	300,000	0.0%	33,205	266,795	0.0%	
<b>Total IBD Grants</b>		<b>1,714,000</b>	<b>214,000</b>	<b>-</b>	<b>-</b>	<b>214,000</b>	<b>1,500,000</b>	<b>12.5%</b>	<b>78,205</b>	<b>1,421,795</b>	<b>17.0%</b>	
8000 6795 - Strategic Initiatives Fund		250,000	-	-	-	-	250,000	0.0%	-	250,000	0.0%	
<b>Total OPP Grants</b>		<b>250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>0.0%</b>	<b>-</b>	<b>250,000</b>	<b>0.0%</b>	
<b>Total Grants</b>		<b>22,384,000</b>	<b>964,000</b>	<b>1,750,000</b>	<b>-</b>	<b>2,714,000</b>	<b>16,660,000</b>	<b>12.1%</b>	<b>4,515,830</b>	<b>15,134,170</b>	<b>32.3%</b>	
<b>Loans</b>												
2000 110x - Technology Development Loans-State		3,000,000	-	-	-	-	3,000,000	0.0%	1,150,000	1,850,000	38.3%	
2000 11x - Revolving Technology Development Loans-SSBCI		2,000,000	-	-	500,000	500,000	1,500,000	25.0%	-	1,500,000	25.0%	
<b>Total E&amp;I Loans</b>		<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>4,500,000</b>	<b>10.0%</b>	<b>1,150,000</b>	<b>3,350,000</b>	<b>33.0%</b>	
3000 11x - New Loan Fund - Collectible Loans		3,000,000	-	-	-	-	3,000,000	0.0%	-	3,000,000	0.0%	
<b>Total BCD Loans</b>		<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>0.0%</b>	<b>-</b>	<b>3,000,000</b>	<b>0.0%</b>	
<b>Total Loans</b>		<b>8,000,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>	<b>7,500,000</b>	<b>6.3%</b>	<b>1,150,000</b>	<b>6,350,000</b>	<b>20.6%</b>	
<b>Key Strategic Partners</b>												
2000 5120 - WWBIC		350,000	-	350,000	-	350,000	-	100.0%	-	-	100.0%	
2000 5130 - WEN (CTC)		540,000	-	-	-	-	540,000	0.0%	-	540,000	0.0%	
2000 5140 - Wisconsin Technology Council		310,000	-	-	-	-	310,000	0.0%	-	310,000	0.0%	
2000 5141 - BrightStar Wisconsin Foundation		50,000	-	-	50,000	50,000	-	100.0%	-	-	100.0%	
<b>Total E&amp;I KSP</b>		<b>1,250,000</b>	<b>-</b>	<b>350,000</b>	<b>50,000</b>	<b>400,000</b>	<b>850,000</b>	<b>32.0%</b>	<b>-</b>	<b>850,000</b>	<b>32.0%</b>	
3000 5155 - Minority Business Development		750,000	-	-	-	-	750,000	0.0%	-	-	0.0%	
3000 5160 - Regional Economic Development Orgs		547,500	-	-	-	-	547,500	0.0%	-	547,500	0.0%	
3000 5185 - Wisconsin Procurement Institute		325,000	325,000	-	-	325,000	-	100.0%	-	-	100.0%	
<b>Total BCD KSP</b>		<b>1,622,500</b>	<b>325,000</b>	<b>-</b>	<b>-</b>	<b>325,000</b>	<b>1,297,500</b>	<b>20.0%</b>	<b>-</b>	<b>1,297,500</b>	<b>20.0%</b>	
4000 5175 - WCMP		1,250,000	-	-	-	-	1,250,000	0.0%	-	1,250,000	0.0%	
7000 5105 - Global Partner Network		230,000	38,070	-	-	38,070	191,930	16.6%	-	191,930	16.6%	
<b>Total Key Strategic Partners</b>		<b>4,352,500</b>	<b>363,070</b>	<b>350,000</b>	<b>50,000</b>	<b>763,070</b>	<b>3,589,430</b>	<b>17.5%</b>	<b>-</b>	<b>3,589,430</b>	<b>17.5%</b>	
<b>Total</b>		<b>34,716,500</b>	<b>1,327,070</b>	<b>2,100,000</b>	<b>550,000</b>	<b>3,977,070</b>	<b>30,739,430</b>	<b>11.5%</b>	<b>5,665,830</b>	<b>25,073,600</b>	<b>27.8%</b>	
<b>Tax Credits</b>												
		Committed FY18	# of Committed FY18	Contracted FY18	# of Contracted FY18	Total FY18	# Total FY18					
Business Development Tax Credit		\$ 2,022,000	3	\$ 2,414,300	9	\$ 4,436,300	12					
Historic Preservation Tax Credit		-	-	-	-	-	-					
Historic Preservation Tax Credit - Qualified Rehabilitation		-	-	-	-	-	-					
Enterprise Zone		19,000,000	2	31,000,000	2	50,000,000	4					
Qualified New Business Venture		86,750	1	2,439,750	11	2,526,500	12					
Qualified Venture Fund Certification		-	-	-	1	-	1					
<b>Total Tax Credits</b>		<b>\$ 21,090,750</b>	<b>6</b>	<b>\$ 35,848,050</b>	<b>23</b>	<b>\$ 56,938,800</b>	<b>29</b>					

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

SCHEDULE OF AWARDS CONTRACTED - ANNUAL REPORT ON  
ECONOMIC DEVELOPMENT BASIS - FY17, FY18  
as of September 30, 2017

Div.	Account No. and Name	FY17 Actual Awards Contracted	FY18 Actual Awards Contracted
<b>Programs</b>			
2000	Capital Catalyst	\$ 2,100,000	\$ -
2000	Entrepreneurial Micro-Grant	200,000	200,000
2000	Seed Accelerator	1,804,000	-
2000	Capacity Building - E&I	497,384	-
2000	SBIR/STTR Matching Grant	1,000,000	1,000,000
3000	Brownfields Grant Program	4,439,339	-
3000	Capacity Building	598,868	50,000
3000	Community Development Investment	4,634,162	500,000
3000	Idle Sites Redevelopment Program	4,300,000	-
3000	Site Assessment Grants	1,207,809	150,000
3000	Workforce Training	850,000	-
3000	Minority Business Development	1,325,000	-
4000	Targeted Industry Projects	2,358,532	-
4000	Fabrication Laboratories Grant	519,613	-
7000	ExporTech	210,000	-
7000	GBDG - International Market Access Grant	535,750	-
7000	GBDG - STEP	240,150	-
7000	GBDG - Collaborative Market Access Grant	469,200	-
	<b>Total Programs</b>	<u>27,289,807</u>	<u>1,900,000</u>
<b>Loans</b>			
2000	Technology Development Loans	4,982,300	500,000
3000	Business Opportunity Loan Fund	8,371,000	-
3000	Special Project Loan Fund	200,000	-
	<b>Total Loans</b>	<u>13,553,300</u>	<u>500,000</u>
<b>Bonding Authority</b>			
3000	Qualified Energy Conservation Bond	-	-
3000	Industrial Revenue Bond	43,271,681	21,100,000
	<b>Total Bonding Authority</b>	<u>43,271,681</u>	<u>21,100,000</u>
<b>Investor Credits</b>			
2000	Qualified New Business Venture	22,861,250	2,433,750
	<b>Total Investor Credits</b>	<u>22,861,250</u>	<u>2,433,750</u>
<b>Tax Credits</b>			
3000	Business Development Tax Credit	29,269,000	4,964,300
3000	Enterprise Zone	76,500,000	31,000,000
3000	Historic Preservation Tax Credit	107,931,708	-
	<b>Total Tax Credits</b>	<u>213,700,708</u>	<u>35,964,300</u>
	<b>Total</b>	<u>\$320,676,746</u>	<u>\$ 61,898,050</u>

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**CASH AND INVESTMENT SUMMARY**  
as of September 30, 2017

Institution	Book		Bank / Market	Difference	Maturity Term						Total
	Balance	Value			Liquid	< 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	
<b>US Bank</b>											
Checking	\$ 4,421,026	\$ 5,499,337	1,078,311	5,499,337	-	-	-	-	-	-	5,499,337
Federal/Payroll	1,000	1,000	-	1,000	-	-	-	-	-	-	1,000
<b>Total</b>	<b>4,422,026</b>	<b>5,500,337</b>	<b>1,078,311</b>	<b>5,500,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,500,337</b>
<b>ADM</b>											
American Money Market	14,039,833	14,039,833	-	14,039,833	-	-	-	-	-	-	14,039,833
CDs	-	-	-	-	-	-	-	-	-	-	-
<b>Total ADM</b>	<b>14,039,833</b>	<b>14,039,833</b>	<b>-</b>	<b>14,039,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,039,833</b>
<b>US Bank Custodial</b>											
CDs	-	-	-	-	-	-	-	-	-	-	-
Cash / purchases not settled	54,771	54,771	-	54,771	-	-	-	-	-	-	54,771
Agencies	45,254,074	45,254,074	-	-	1,929,740	24,032,060	19,292,274	-	-	-	45,254,074
Commercial Paper	4,971,000	4,971,000	-	998,520	3,972,480	-	-	-	-	-	4,971,000
Municipal Bonds	575,329	575,329	-	-	-	351,454	223,875	-	-	-	575,329
<b>Total US Bank</b>	<b>50,855,174</b>	<b>50,855,174</b>	<b>-</b>	<b>1,053,291</b>	<b>5,902,220</b>	<b>24,383,514</b>	<b>19,516,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,855,174</b>
<b>Total Cash and Investments</b>	<b>\$ 69,317,033</b>	<b>70,395,344</b>	<b>1,078,311</b>	<b>20,593,461</b>	<b>5,902,220</b>	<b>24,383,514</b>	<b>19,516,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,395,344</b>

Cash & cash equivalents	18,516,630
Investments	50,800,403
	<u>\$ 69,317,033</u>

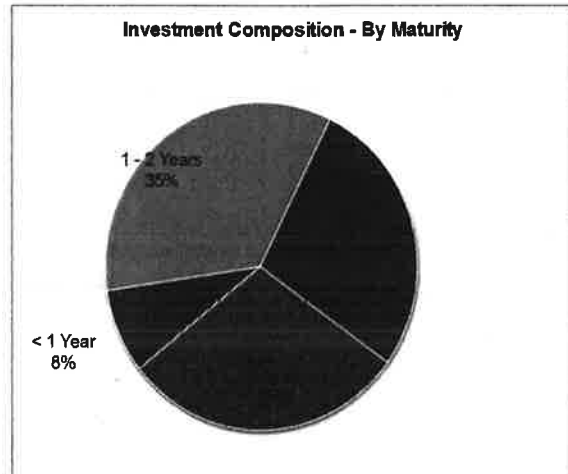
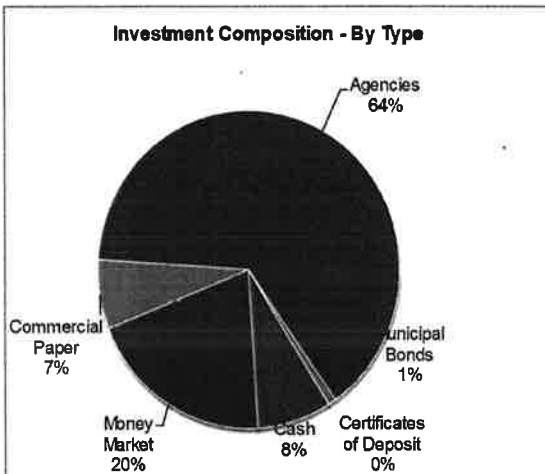
Performance Based Benchmark	Actual		
	7/31/2017	8/31/2017	9/30/2017
WEDC	1.05	1.11	1.09
LGIP	0.88	1.00	1.03

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**INVESTMENT COMPOSITION SUMMARY**  
as of September 30, 2017

<b>Investment Composition - By Type</b>	<u>Bank Balances</u>	<b>Investment Composition - By Maturity</b>	<u>Bank Balances</u>
Cash	5,555,108	Liquid	20,593,461
Money Market	14,039,833	< 1 Year	5,902,220
Commercial Paper	4,971,000	1 - 2 Years	24,383,514
Agencies	45,254,074	2 - 3 Years	19,516,149
Municipal Bonds	575,329	3 - 4 Years	-
Certificates of Deposit	-	4 - 5 Years	-
<b>Total</b>	<u>70,395,344</u>	<b>Total</b>	<u>70,395,344</u>



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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**CASH AND INVESTMENT ACTIVITIES**  
 Quarter Ended September 30, 2017

Agency	Book Balance as of 6/30/2017	Investment Type	Purchased	Matured/Sold	Accrued Interest and Gain/(Loss) on Matured/Sold Assets	Market Value/Statement Balance as of 9/30/2017
US Bank	4,148,244	Cash and Equivalents	10,350,000	8,997,906	-	5,500,338
	63,307	Cash and Equivalents	1,081,831	1,090,367	-	54,771
	4,979,200	Commercial Paper	2,966,925	2,972,807	(2,318)	4,971,000
	45,122,218	Agencies	5,142,727	4,991,339	(19,532)	45,254,074
	575,561	Municipal Bonds	-	-	(232)	575,329
ADM	14,016,836	American Money Market	10,022,997	10,000,000	-	14,039,833
<b>Total Cash and Investments</b>	<b>\$68,905,366</b>		<b>\$ 29,564,480</b>	<b>\$ 28,052,420</b>	<b>\$ (22,082)</b>	<b>\$ 70,395,344</b>

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**INVESTMENT HOLDINGS**  
as of September 30, 2017

Institution / Product	Credit Rating	Type	Face	Yield to Maturity	Date Purchased	Market Value
<b>ADMC</b>						
<b>Money Market</b>	insured		14,039,833	0.90%		14,039,833
<b>Total ADMC</b>			<u>\$ 14,039,833</u>			<u>\$ 14,039,833</u>
<b>US Bank</b>						
<b>Cash owed for settlements</b>						
First Amer Govt Oblig Fund			54,771	0.00%		54,771
			<u>54,771</u>			<u>54,771</u>
<b>Corporate Short Term Obligations</b>						
Bank of Montreal Chicago C P	A-1	CP	1,000,000	1.33%	2/16/2017	998,520
Bank of Tokyo Mitsubishi C P	A-1	CP	1,000,000	1.54%	5/2/2017	995,590
BNP Paribas NY Branch C P	A-1	CP	1,000,000	1.52%	7/6/2017	993,720
ING US Funding LLC C P	A-1	CP	1,000,000	1.56%	8/4/2017	990,920
JP Morgan Securities C P	A-1	CP	1,000,000	1.54%	7/10/2017	992,250
<b>Total Corp Short Term Obligation</b>			<u>5,000,000</u>			<u>4,971,000</u>
<b>US Government Issues</b>						
FHLB	Aaa/AA+		950,000	1.25%	12/7/2016	947,682
FHLB	Aaa/AA+		1,500,000	1.49%	3/9/2017	1,498,020
FHLB	Aaa/AA+		4,435,000	0.93%	6/2/2016	4,407,592
FHLB	Aaa/AA+		1,500,000	0.91%	8/25/2016	1,493,415
FHLB	Aaa/AA+		1,950,000	1.07%	9/9/2016	1,929,740
FNMA	Aaa/AA+		1,500,000	0.94%	9/2/2016	1,494,795
FNMA	Aaa/AA+		3,500,000	0.97%	5/12/2016	3,477,705
FNMA	Aaa/AA+		1,500,000	0.93%	7/29/2016	1,482,315
FNMA	Aaa/AA+		2,000,000	1.05%	8/31/2016	1,980,400
FNMA	Aaa/AA+		600,000	1.52%	2/24/2017	598,572
FNMA	Aaa/AA+		1,050,000	1.50%	8/1/2017	1,044,257
FHLMC	Aaa/AA+		3,300,000	1.04%	5/12/2016	3,283,236
FHLMC	Aaa/AA+		2,000,000	0.96%	7/19/2016	1,976,840
FHLMC	Aaa/AA+		2,000,000	0.90%	9/15/2016	1,990,060
FHLMC	Aaa/AA+		1,000,000	1.48%	4/19/2017	983,630
US Treasury	Aaa/AA+		3,000,000	1.41%	12/2/2016	2,999,520
US Treasury	Aaa/AA+		1,500,000	1.49%	1/4/2017	1,490,160
US Treasury	Aaa/AA+		2,550,000	1.56%	2/1/2017	2,539,443
US Treasury	Aaa/AA+		1,825,000	1.47%	4/3/2017	1,815,875
US Treasury	Aaa/AA+		2,550,000	1.45%	8/31/2017	2,532,482
US Treasury	Aaa/AA+		50,000	1.63%	3/16/2017	49,471
US Treasury	Aaa/AA+		3,675,000	1.55%	6/29/2017	3,678,014
US Treasury	Aaa/AA+		1,550,000	1.61%	7/6/2017	1,550,853
<b>Total Agencies</b>			<u>45,485,000</u>			<u>45,254,074</u>
<b>Municipals Issues</b>						
Wisconsin ST	Aa2/AA	Muni	355,000	1.00%	7/12/2016	351,454
Wisconsin ST	Aa3/AA-		225,000	1.73%	5/2/2017	223,875
<b>Total Municipal Bonds</b>			<u>580,000</u>			<u>575,329</u>
<b>Total US Bank</b>			<u>\$ 51,119,771</u>			<u>\$ 50,855,173</u>
<b>Totals</b>			<u>\$ 65,159,604</u>			<u>\$ 64,895,006</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 3, 2017

**Re:** WEDC Calendar Year 2018 Economic Development project report

Pursuant to Wis. Statute §238.07(1), the following is the Wisconsin Economic Development Corporation's (WEDC) report approved for submittal by its Board of Directors on November 8, 2017 identifying the economic development projects WEDC intends to develop and implement during calendar year 2018 (CY18).

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 2018 (FY18) Operations Plan and Budget was approved by the Board on July 13, 2017. A copy of the plan is available at [inwisconsin.com/inside-wedc/transparency](http://inwisconsin.com/inside-wedc/transparency) and encompasses the activities WEDC will undertake during the first six months of CY18. WEDC will also begin its annual planning process to determine which economic development programs and operations will be incorporated into the Fiscal Year 2019 (FY19) Operations Plan and Budget.

## **FY18 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 FY18 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 CY18, WEDC will continue to implement the following economic development strategies approved by the Board of Directors. Additional details are available in the full plan, available here: [www.inwisconsin.com](http://www.inwisconsin.com).

WEDC has aligned its services with five key Catalysts of Economic Growth, which form the basis of our Strategic Pillars:

- Strategic Economic Competitiveness
- Business Development
- Community and Economic Opportunity
- Brand Development and Management
- Operational and Fiscal Excellence

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

- Increase workforce and talent development through increased funding in the Workforce Training Grant program and financially covering the INSPIRE license through the Regional Economic Development Organizations to provide statewide access to businesses.
- Build upon foreign direct investment successes to continue to showcase and promote Wisconsin as a destination for companies looking to expand their global footprint.
- Expand its partnership with the University of Wisconsin System with a renewed focus on talent pipeline and workforce needs with the additional of a jointly funded Talent Initiatives Director.
- Leverage our strong partnerships with industry and academia to increase the number of Centers of Excellence in the state, including the newly launched Connected Systems Institute.

**Business Development:** Helping companies start up, grow and reach new markets.

- Encourage micro-lending access through KIVA and the state's Minority Chambers of Commerce.
- Engage local partners outside of Wisconsin's major metro areas in supporting startups and entrepreneurs.

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- Expand the Wisconsin extended export partners to include specific individuals in multiple regions to provide direct export assistance to Wisconsin companies.
- Increase the number of Certified In Wisconsin business development sites across the state.

**Community and Economic Opportunity:** Celebrating shared spaces and common ground.

- Foster community engagement and downtown revitalization through the Wisconsin Main Street and Connect Communities programs.
- Support community redevelopment efforts through the Community Development Investment grant.
- Award Idle Sites Redevelopment grants for the implementation of redevelopment plans for large sites that have been idle, abandoned or underutilized.

**Brand Development and Management:** Telling Wisconsin's story.

- Develop, manage and deliver compelling brand messages highlighting Wisconsin's unique economic assets.
- Expand Think-Make-Happen campaign to targeted out-of-state audiences and Wisconsin alumni.
- Promote business, career and personal fulfillment opportunities Wisconsin offers through new owned and paid media channels.

**Fiscal Year 19 Planning and Implementation**

WEDC establishes its Operating 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 multi-faceted to allow for the input from staff, partners, WEDC Board members and stakeholders, and aligns with WEDC's Catalysts of Economic Growth. Leadership will begin to craft the FY19 operating plan and budget during the third quarter of the current fiscal year. Outreach with stakeholders, feedback from staff, and evaluation of program activity and outcomes will be used to assess priorities for the new fiscal year. Executive leadership, divisional vice presidents and the policy and finance teams work closely to create a fiscally responsible and sustainable operating budget to allow WEDC to deliver innovative and effective economic development programs. The FY19 Operations Plan and Budget will be presented for review to the Board's Budget and Finance Committee and then forwarded

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for approval by the full Board at WEDC's Annual Board of Directors meeting scheduled for July 2018.

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 [www.inwisconsin.com](http://www.inwisconsin.com) for up-to-date information on all WEDC's programs, initiatives and activities.

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# MEMO

**To:** WEDC Awards Administration Committee  
**From:** Office of Public Policy  
**CC:** Mark R. Hogan, WEDC Secretary and CEO  
**Date:** November 7, 2017

**Re: 2017-19 Biennial Budget (2017 Act 59) Statutory Program Guidelines Revision Summary**

Per the Program Guidelines Approval and Revision Policy and Procedure, when statutory changes are made to WEDC's economic development programs, WEDC will abide by the law as of the law's effective date and will follow the procedures outlined in the policy for developing new or revised programs. This memo summarizes the statutory revisions included in the 2017-19 Biennial Budget, as well as proposed non-statutory revisions to the Enterprise Zone program.

## **Business and Community Development**

### *Business Development Tax Credit (BTC)*

- Eliminated provision allowing for a reallocation of unused Angel and Early Stage Seed credits from the QNBV program to the BTC program
- Added provision allowing WEDC to annual request from the Joint Committee on Finance additional allocation authority

### *Electronics and Information Technology Manufacturing Zone (EITMZ)*

- Reconciled statutory citations according to the 2017-19 Biennial Budget

### *Enterprise Zone (EZ)*

- Statutory changes:
  - Added provision allowing WEDC to reuse expired or revoked zones

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- Added definition for “Taxable Year” and clarified tax credit calculation method
- Non-statutory revisions:
  - Added definition for “Partial-Year Employee”
  - Clarified definition of “Full-Time Employee”

#### *Historic Preservation Tax Credit (HTC)*

- Added provision prohibiting WEDC from certifying nonprofits as eligible except under certain circumstances
- Added provision requiring recipients to repay a proportionate amount of the state credits under certain circumstances

#### **Entrepreneurship and Innovation**

##### *Qualified New Business Venture (QNBV)*

- Eliminated provision allowing for a reallocation of unused Angel and Early Stage Seed credits from the QNBV program to the BTC program

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**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2018**

**Program Name:** Business Development Tax Credits (BTC)

**Program Inception:** 2015 Wisconsin Act 55

**Lead Division:** Business and Community Development

New     Revised

Aid     Pass-thru Aid     Technical Assistance

**Program Goal:**

The goal of the Business Development Tax Credit (BTC) Program is to incent new and expanding businesses in the state of Wisconsin.

**Program Description:**

The program supports job creation, capital investment, training, and Corporate Headquarters location or retention by providing businesses located in or relocating to Wisconsin with refundable tax credits that can help to reduce their Wisconsin income/franchise tax liability or provide a refund, thereby helping to enhance their cash flow to expand the project's scope, accelerate the timing of the project or enhance payroll.

**Eligibility Requirements:**

**Definitions:**

The following definitions supplement those in §§ 238.308, 71.07 (3y), 71.28 (3y), and 71.47 (3y), Wis. Stats.

- "Baseline" means Recipient's number of Full-Time Jobs during the 12 months immediately preceding the Certification Date. Projects will have a Statewide Baseline, as well as a Project Baseline.
- "Certified Business" means a business certified by WEDC as eligible to earn Tax Credits based on the parameters of this guideline and based on the business' total number of Eligible Employees in the State of Wisconsin as determined by the Federal Employment Identification Number ("FEIN") under which the business files its taxes.
- "Certification Date" means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins. No activities occurring prior to the Certification Date will be considered in allocating Tax Credits.
- "Corporate Headquarters" means the office location where staff members or employees are physically employed and where the majority of the company's financial, personnel, legal, planning, or other related functions are organized at a divisional, regional, national or global basis. In considering an office as a Corporate Headquarters, WEDC will consider the business' existing locations as of the Certification Date.



- “Economically Distressed” means a county or municipality so designated by WEDC by considering the most current area and state data available for the following indicators:
  - Unemployment rate – from the Department of Workforce Development.
  - Percentage of families with incomes below the poverty line established under 42 USC 9902 (2) – from the U.S. Census Bureau.
  - Median family income – median household income from the U.S. Census Bureau.
  - Median per capita income – from the Department of Workforce Development.
  - Average annual wage – from the Department of Workforce Development.
  - Manufacturing assessment values, by county – from the Department of Revenue.
  - Other significant or irregular indicators of economic distress – such as a natural disaster, or plant closings and layoffs – from the Department of Workforce Development.
  
- “Eligible Employee” means a person employed in a Full-Time Job by a Certified Business.
  
- “Eligible Training Cost” means (1) the cost of the trainer; (2) the cost of the training materials; (3) the wages of the trainee while in a classroom setting; or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting. Eligible training costs do not include travel expenses, food or lodging.
  
- “Financial Institution” means a bank, as defined in s. 214.01 (1) (c), a savings bank, as defined in s. 214.01 (1) (t), a savings and loan association, a trust company, a credit union, as defined in s. 186.01 (2), a mortgage banker, as defined in s. 224.71 (3) (a) , or a mortgage broker, as defined in s. 224.71 (4) (a), whether chartered under the laws of this state, another state or territory, or under the laws of the United States; a company that controls, is controlled by, or is under common control with a bank, a savings bank, a savings and loan association, a trust company, a credit union, a mortgage banker, or a mortgage broker; or a person licensed under s. 138.09, other than a person who agrees for a fee to hold a check for a period of time before negotiating or presenting the check for payment and other than a pawnbroker, as defined in s. 138.10 (1) (a).
  
- “Full-Time Job” means a regular, non-seasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays, and for which the individual receives pay that is equal to at least 150% of the federal minimum wage, and benefits that are not required by federal or state law. “Full-Time Job” does not include initial training before an employment position begins

OR

- A “Full-Time Job” means a regular, non-seasonal full-time position in which the annual pay for the position is more than the amount determined by multiplying 2,080 by 150% of the federal minimum wage, and an individual in the position is offered retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year. “Full-Time Job” does not include initial training before an employment position begins.

Employees that do not meet one of these two definitions will not be counted toward headcount or wages. Part-time employees do not count.



- “Ineligible Business” means businesses ineligible for tax credits unless extraordinary circumstances exist, including but not limited to a serious threat of a business leaving the state, significant job creation or retention, or significant capital investment, and such extraordinary circumstances are approved by the Board of Directors’ Awards Administration Committee. Such Ineligible Businesses include:
  - Payday loan and title loan companies
  - Telemarketing other than inbound call centers
  - Pawn shops
  - Media outlets
  - Retail
  - Farms
  - Primary care medical facilities
  - Financial Institutions
  - The hospitality industry
  
- “Tax Credits” means the BTCs authorized pursuant to Wisconsin Statutes §§ 238.308, 71.07 (3y), 71.28 (3y), and 71.47 (3y).

**Certification:**

WEDC may certify a business as eligible to earn Tax Credits if (1) the business plans to annually increase its net employment in Wisconsin above the business’ employment in Wisconsin the year before its Certification Date; (2) the business is operating, or intends to operate, in the state of Wisconsin; and (3) the business applies and enters into a contract with WEDC. There is no limit on the number of businesses that may be certified for Tax Credits under this program. Each certification may exist for up to ten cumulative years. WEDC may cap the award and/or limit the number of years in which Tax Credits may be claimed by a Certified Business.

WEDC will evaluate Tax Credit applications based on factors including:

- Whether the project would occur without the allocation of Tax Credits;
- The extent to which the project will increase employment in Wisconsin;
- The extent to which the project will contribute to the economic growth of Wisconsin;
- The extent to which the project will increase geographic diversity of available Tax Credits throughout Wisconsin;
- The financial soundness of the business; and
- Any previous financial assistance that the business received from the Department of Commerce or WEDC.

To be eligible for a BTC award, the applicant must offer the employees filling the Full-Time Jobs to be attracted, created or retained as part of the project at least 50% of the health insurance benefit costs to the employees or other equivalent health insurance benefits that are acceptable to WEDC. Recipients will be expected to continue to offer all Eligible Employees retirement, health and other benefits.

Tax Credits may be awarded for any of the following eligible activities: job creation, training, capital investment and/or Corporate Headquarters location or retention. Generally, the maximum tax credit award amount for a project will be determined by calculating the greater of the maximum amount the Recipient could earn under either job creation or capital investment. WEDC is not required to award the



Recipient the maximum amount allowed for under the calculation. A business may be awarded an additional amount of Tax Credits if the project meets any of the following criteria:

- The project is located in an Economically Distressed area;
- Locating or retaining a Corporate Headquarters;
- Attracting a business to relocate to Wisconsin;
- Fifty percent of Eligible Employees' wages are greater than 400 percent of the federal minimum wage;
- Industry jobs multiplier is greater than 2.0; or
- Any other criteria as approved by the Awards Administration Committee of the Board of Directors

Once the maximum tax credit award amount is determined, WEDC will evaluate all aspects of the project to determine which eligible activities to incent with tax credits. A project may receive tax credits for multiple eligible activities. The amount of tax credits awarded for each activity shall align with the following calculations:

#### Job Creation and Job Retention

The amount of Tax Credits awarded for job creation may equal up to 10% of the annual wages for Eligible Employees in Full-Time Jobs. In an Economically Distressed area, the amount of Tax Credits may equal up to an additional 5% of the annual wages for Eligible Employees. Tax Credits may not be earned for wages over \$100,000 per year. Generally, a business will be initially certified for amounts for job creation based on projected Full-Time Jobs to be created over three years. Certified Businesses may earn these Tax Credits over three years, based on the increase in wages, each year compared to the prior year, at the project location(s) for which the award is made, subject to annual verification. Full-Time Jobs filled by Eligible Employees for which Tax Credits have been verified must be maintained for a period of at least five years from the Certification Date. Generally, WEDC will not award tax credits for retained jobs; however, in cases where WEDC does incent retained jobs with job retention tax credits, those credits will be calculated based on the Baseline wages earned on an equal basis over three years. Tax Credits will be released annually, based on the wages of Full-Time Jobs filled by Eligible Employees during the Recipient's tax year.

#### Training

The amount of Tax Credits awarded for training may equal up to 50% of Eligible Training Costs incurred to undertake activities to enhance an Eligible Employee's general knowledge, employability, and flexibility in the workplace; to develop skills unique to the business's workplace or equipment; or to develop skills that will increase the quality of the business's product. Those activities must be related to the project that is the subject of the application for Tax Credits, and not for those activities that allow an employee to function within the day-to-day operations of the business or for the general, organic growth of the business. Examples of ineligible activities include orientation, or training on a business process management system.

#### Capital Investment

The amount of Tax Credits awarded for new capital investment may equal up to 3% of the business' personal property investment and up to 5% of its new real property investment. For projects that involve a total capital investment of less than \$1,000,000, the total investment must be equal to at least \$10,000 per Eligible Employee employed on the project.





### Corporate Headquarters

The amount of Tax Credits awarded for the location or retention of a Corporate Headquarters may equal up to 10% of the annual wages of positions created or retained for Eligible Employees if the position in which the Eligible Employee was employed was created or retained in connection with the location or retention of the Corporate Headquarters in Wisconsin and the job duties associated with the Eligible Employee's position involve the performance of Corporate Headquarters functions. Tax Credits may not be earned for wages over \$100,000 per year. Generally, a business will be initially certified for amounts for Corporate Headquarters job creation based on projected Full-Time Jobs to be created over three years, Certified Businesses may then earn these Corporate Headquarters job creation credits over a period of three years based on the increase in wages at the project location(s) for which the award is made, year-over-year, subject to annual verification. Corporate Headquarters retention credits will be calculated based on the Baseline wages earned on an equal basis over three years. Full-Time Jobs filled by Eligible Employees for which Tax Credits have been verified must be maintained for a period of at least five years from the Certification Date. Tax Credits will be earned annually, based on the wages of Full-Time Jobs filled by Eligible Employees during the Recipient's tax year.

#### **Verification:**

In order to be eligible to claim Tax Credits in any year for which the business is certified, the Certified Business must increase its net employment in Wisconsin above the Certified Business' net employment in Wisconsin in the year before the Certification Date.

WEDC will annually verify the amount of Tax Credits earned and able to be claimed by the Certified Business based on eligible activities, and may request additional information from the Certified Business. WEDC will notify the Certified Business and the Department of Revenue of the amount eligible to be claimed against the Certified Business' taxes each year with a written verification of the Tax Credits earned. A Certified Business must attach appropriate forms to its Wisconsin tax return submitted to the Department of Revenue to obtain the tax benefits. No person may file with the Department of Revenue for Tax Credits without the written verification of WEDC.

Tax Credits are refundable. If the amount of Tax Credits approved for a tax year exceeds the amount of tax due for the tax year, the excess credit amount will be refunded to the Certified Business. The Tax Credits are non-transferable, and must be claimed by the Certified Business that is conducting the eligible activities.

**Incentives and Available Funding (FY 2017):** \$22,000,000 in available credits expected to be allocated

Subject to reallocation of additional funds up to \$10,000,000 under §238.308(4)(c), WEDC will allocate no more than \$22,000,000 in Tax Credits for Certified Businesses in Calendar Year 2017 or in any year thereafter.

#### **Expected Outcomes (FY18):**

Assist 45 businesses to support the creation of 3,500 jobs, retention of 4,000 jobs and achieve a 20:1 leverage of other investment.



### **Performance Reporting:**

Certified Businesses are required to submit an annual project report documenting expenditures, training, job creation and retention as well as other contract deliverables. Reports may include detailed payroll and earnings spreadsheets to substantiate the number of jobs located at the project location. WEDC annually verifies the performance information submitted by the business. Annual reports will be submitted as defined in the contract schedule.

Project information and reports will be processed to track milestones, expenditures, and project deliverables. In addition, all projects will be reviewed to ensure compliance with contract deliverables.

### **Application and Awards Process:**

Applicants for the BTC program should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process.

WEDC shall notify each applicant of whether it has been certified for tax benefits. A Certified Business may qualify for tax benefits only for eligible activities that occur after the Certification Date established by WEDC.

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.

### **Revision History:**

<b>Effective Date</b>	<b>Description of Change</b>
7/1/2017	Standardized expected outcomes language and added metric for leverage
7/1/2017	Eliminated unnecessary maintenance period for tax credits awarded for training
9/23/2017	Pursuant to 2017 Act 59, WEDC may annually request from the Joint Committee on Finance additional allocation authority



**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Counsel & Compliance Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Director of Public Policy: \_\_\_\_\_

Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_

Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_

Date \_\_\_\_\_



**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2018**

**Program Name:** Electronics and Information Technology Manufacturing Zone (EITMZ)

**Program Inception:** 2017 Act 58

**Lead Division:** Business and Community Development

**New**             **Revised** 11/7/2017

**Aid**             **Pass-thru Aid**     **Technical Assistance**

**Program Goal:**

The goal of the Electronics and Information Technology Manufacturing Zone (EITMZ) Program is to incent a project involving the attraction of major business operations to Wisconsin.

This program primarily supports the following WEDC Strategic Pillar and Focus Area:

Business Development: Business and Investment Attraction

**Program Description:**

The program supports job creation and capital investment by providing refundable tax credits that can help to reduce Wisconsin state income tax liability or provide a refund, thereby helping to enhance cash flow to attract a business to begin operations in Wisconsin.

**Eligibility Requirements:**

One EITMZ may be designated by WEDC.

An electronics and information technology manufacturing business may qualify for EITMZ certification where the business begins operation in EITMZ.

EITMZ Tax Credit projects must meet the requirements in §§ 238.396, 71.07 (3wm), and 71.28 (3wm), Wis. Stats. Among other things, these statutes cover applicable definitions, eligibility for tax benefits, and limits on the tax benefits.

The EITMZ may exist for up to 15 years.<sup>1</sup> WEDC may cap the award and/or limit the number of years in which credits may be claimed within the EITMZ. The maximum amount of tax credits that may be awarded is \$2,850,000,000. Of that amount, a maximum \$1,500,000,000 may be awarded for job creation and a maximum \$1,350,000,000 may be awarded for significant capital investment.<sup>2</sup>

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<sup>1</sup> Wis. Stat. Sec. 238.396(2).

<sup>2</sup> Wis. Stat. Sec. 238.396(3s).



## Definitions:

The following definitions supplement those in §§ 238.396, 71.07 (3wm), and 71.28 (3wm), Wis. Stats.

- “Claimant” means a person who is certified to claim tax benefits under s. 238.396 (3) and who files a claim under s. 71.07 (3wm) or s. 71.28 (3wm).
- “Certification Date” means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins.
- A “Full-Time Employee” means an individual who is employed in a job for which the annual pay is at least \$30,000 and who is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.<sup>3</sup>
- A “Partial-Year Employee” means an individual who only worked part of the year due to their hiring or termination dates, who would have met the Full-Time Employee definition had they worked the full year.
- “Significant capital expenditure” means a capital investment in a WEDC-designated EITMZ that is needed to achieve a specific purpose agreed to by WEDC.
- “State payroll” means the amount of payroll apportioned to this state, as determined under s. 71.25 (8).
- “Tax Credits” means the EITMZ Tax Credits authorized pursuant to Wisconsin Statutes §§ 238.396, 71.07 (3wm), and 71.28 (3wm).
- “Taxable year”, as defined in Wis. Stat. Sec. 71.01(12), means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes.
- “Zone Payroll” means the amount of state payroll that is attributable to wages paid by the claimant to full-time employees for services that are performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by the Wisconsin Economic Development Corporation. “Zone payroll” does not include the amount of wages paid to any full-time employees that exceeds \$100,000.<sup>4</sup>

## EITMZ Designation<sup>5</sup>

One electronics and information technology manufacturing zone may be designated in this state.

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<sup>3</sup> Wis. Stat. Sec. 71.07(3wm)(a)2; Wis. Stat. Sec. 71.28(3wm)(a)2.

<sup>4</sup> Wis. Stat. Sec. 71.07(3wm)(a)6; Wis. Stat. Sec. 71.28(3wm)(a)6.

<sup>5</sup> Wis. Stat. Sec. 238.396(1m).



Designation of EITMZ is based on the following factors.

- Indicators of the area's economic need, data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, and the existing resources available to the area.
- The effect of designation on other initiatives and programs to promote economic and community development in the area, including job retention, job creation, job training, and creating high-paying jobs.
- Preference is given based on the greatest economic need.

In determining whether to designate an EITMZ, WEDC may evaluate a wide range of factors including the following:

- Whether the project might not occur without the allocation of tax credits.
- The extent to which the project will increase employment in this state.
- The extent to which the project will contribute to the economic growth of this state.
- The extent to which the project will increase geographic diversity of available tax credits throughout this state.
- The financial soundness of the business.
- Whether the business offers health, retirement and other benefits.
- Any previous financial assistance that the business received from the WEDC.

### **Certification**

A business (which may consist of one or more Claimants) may qualify for EITMZ certification where the electronics and information technology manufacturing business begins operations in the zone.<sup>6</sup>

The corporation shall revoke the certification<sup>7</sup> to claim tax benefits if the business does any of the following:

- Supplies false or misleading information to obtain tax benefits.
- Leaves the EITMZ to conduct substantially the same business outside of the EITMZ
- Ceases operations in the EITMZ and does not renew operation of the business or a similar business in the EITMZ within 12 months.

The corporation may not certify a business to claim tax benefits under ss. 71.07 (3wm) (b) and 71.28 (3wm) (b) for services performed outside this state.<sup>8</sup>

### **Tax Credits Calculation**

A business may qualify for Tax Credits only for eligible activities that occur after the Certification Date established by WEDC. A business may be eligible to earn Tax Credits for multiple eligible activities. The amount of Tax Credits earned for each activity shall align with the following calculations, capped at amounts determined by WEDC to be reflective of the economic impact the project will have in the state of Wisconsin.

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<sup>6</sup> Wis. Stat. Sec. 238.396(3).

<sup>7</sup> Wis. Stat. Sec. 238.396(4).

<sup>8</sup> Wis. Stat. Sec. 238.396(3s)(c).



A business may qualify for EITMZ Tax Credits in one or more of the following categories: Job Creation and Capital Investments. Each are described in detail herein.

**Job Creation Tax Credit Calculation:<sup>9</sup>**

A business would be entitled to a credit of up to seventeen percent (17%) as identified in the following calculation. Job creation thresholds must be set for each year in the zone.<sup>10</sup>

To qualify for Job Creation and Capital Expenditure Tax Credits, a business must meet the job creation thresholds. Partial Year Employees are included in these calculation as follows:

- Partial-Year Employees whose employment was terminated prior to the end of the taxable year will not be counted as a New Full-Time Employee.
- Partial-Year Employees employed as of the end of the taxable year will be counted as a New Full-Time Employee.

**Step 1: Identify Zone Payroll for Full-Time Employees.<sup>11</sup>**

- For each taxable year, determine the total state payroll for all Wisconsin employees making \$30,000 or more. All paid wages up to \$100,000 must be included. The wages for Partial-Year Employees will be included in the zone payroll for Job Creation credit calculation.
- The use of State Payroll which is limited to “compensation paid in this state” ensures that WEDC identifies credit for “services performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone.”

**Step 2: Job Creation Credit Determination.** Multiply the Zone Payroll by the credit percentage (which cannot exceed seventeen percent (17%)).<sup>12</sup>

Full-Time Employees created for which Job Creation Tax Credits are earned shall be maintained for the duration of the EITMZ and may be subject to additional contractual requirements as required by WEDC.

**Significant Capital Expenditure Tax Credit Calculation:<sup>13</sup>**

A business is entitled to up to 15% of the Certified Business’ Significant Capital Expenditures. WEDC shall, in a manner determined by WEDC, allocate the tax credits earned over a period of seven years. The capital expenditure tax benefits shall be tied to the job creation thresholds.<sup>14</sup>

Capital Expenditures are generally defined as depreciable, tangible assets such as land, buildings, and equipment. Credit will be allowed for both capital leases or purchased property.

<sup>9</sup> Wis. Stat. Sec. 71.07(3wm)(b); Wis. Stat. Sec. 71.28(3wm)(b).

<sup>10</sup> Wis. Stat. Sec. 238.396(3m).

<sup>11</sup> Wis. Stat. Sec. 71.07(3wm)(b)1; Wis. Stat. Sec. 71.28(3wm)(b)1.

<sup>12</sup> Wis. Stat. Sec. 71.07(3wm)(b)2; Wis. Stat. Sec. 71.28(3wm)(b)2.

<sup>13</sup> Wis. Stat. Sec. 71.07(3wm)(bm); Wis. Stat. Sec. 71.28(3wm)(bm).

<sup>14</sup> Wis. Stat. Sec. 238.396(3m).



Significant Capital Expenditures made for which Capital Investment Tax Credits are earned shall remain titled in the name of the Claimant for the duration of the EITMZ and may be subject to additional contractual requirements as required by WEDC.

**Verification:**

The business will be required to submit documentation outlining the eligible activities, actual wages and expenditures to be awarded its designated EITMZ Tax Credits.

WEDC will annually determine the amount of Tax Credits earned and able to be claimed by the Claimants based on eligible activities, actual wages and expenditures pursuant to ss. 71.07 (3wm) and 71.28 (3wm).<sup>15</sup>

WEDC will notify the Claimants and the Department of Revenue of the amount eligible to be claimed against the Claimants' taxes each year with a written verification of the Tax Credits earned.<sup>16</sup> Claimants must attach appropriate forms to its Wisconsin tax return submitted to the Department of Revenue to obtain the tax benefits. No person may file with the Department of Revenue for Tax Credits without the written verification of WEDC.<sup>17</sup>

Tax Credits are refundable and non-transferable. If the amount of Tax Credits approved for a tax year exceeds the amount of tax due for the tax year, the excess credit amount will be refunded to the Claimants.<sup>18</sup>

The corporation may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment levels or a significant capital investment in property required by its agreement.<sup>19</sup> Additionally, if, within five years of the business's certification date, the business ceases operations in the state, and commences substantially the same economic activity outside the state, the business must repay 100% of tax credits claimed.<sup>20</sup>

**Incentives and Available Funding (FY18): 1 EITMZ designation**

The incentives under this program are refundable tax credits according to the following stipulations:

EITMZ Job Creation Credit: A tax credit equal to no more than 17% of the amount of zone payroll that is attributable to wages (capped at \$100,000 per employee) paid to Full-Time Employees for services that are performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by WEDC. This benefit may be awarded for up to 15 years, and cannot exceed \$1,500,000,000 in total tax benefits.

Investment Credit: The business may also claim up to 15% of its significant capital expenditures. This benefit may be allocated for up to 7 years, and cannot exceed \$1,350,000,000 in total tax benefits.

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<sup>15</sup> Wis. Stat. Sec. 238.396(4)(d).

<sup>16</sup> Wis. Stat. Sec. 238.396(4)(c).

<sup>17</sup> Wis. Stat. Sec. 71.07(3wm)(c)2; Wis. Stat. Sec. 71.28(3wm)(c)2.

<sup>18</sup> Wis. Stat. Sec. 71.07(3wm)(d)2; Wis. Stat. Sec. 71.28(3wm)(d)2.

<sup>19</sup> Wis. Stat. Sec. 238.396(4)(b).

<sup>20</sup> Wis. Stat. Sec. 238.12(2)





**Activities & Expected Outcomes:**

Assist one business (which may consist of multiple Claimants) to support the creation of 13,000 jobs and achieve a 4:1 leverage of other investment.

**Performance Reporting:**

As part of the verification process referenced above, recipients will be required to annually submit a performance report documenting the project's total capital investment and job creation, as well as any other contract deliverable.

WEDC will require an annual independent third-party verification of project deliverables.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

**Application and Awards Process:**

Applicants for the EITMZ program should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.

**Revision History:**

Effective Date	Description of Change
9/23/2017	Reconciled statutory citations according to 2017 Wisconsin Act 59



**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Counsel & Compliance Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Director of Public Policy: \_\_\_\_\_ Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_ Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_ Date \_\_\_\_\_

Board Chair: \_\_\_\_\_ Date \_\_\_\_\_



**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2018**

**Program Name:** Enterprise Zone (EZ)  
**Program Inception:** 2005 Act 361  
**Lead Division:** Business and Community Development  
 **New**       **Revised** 11/7/2017  
 **Aid**       **Pass-thru Aid**       **Technical Assistance**

**Program Goal:**

The goal of the Enterprise Zone (EZ) Program is to incent projects involving expansion of existing Wisconsin businesses or relocation of major business operations from other states to Wisconsin.

This program primarily supports the following WEDC Strategic Pillar and Focus Area:

Business Development: Business and Investment Attraction

**Program Description:**

The program supports job creation, job retention, capital investment, training, and Wisconsin supply chain investment by providing companies with refundable Tax Credits that can help to reduce their Wisconsin state income tax liability or provide a refund, thereby helping to enhance their cash flow to either expand the expansion project's scope, accelerate the timing of the project or enhance payroll.

**Eligibility Requirements:**

A business may qualify for EZ certification where the business: (1) Begins operation in EZ; (2) Relocates to EZ from out of state; (3) Expands operation in EZ; (4) Retains Jobs in the EZ; or (5) Purchases items or services through a Wisconsin Supply Chain.

EZ Tax Credit projects must meet the requirements in §§ 238.399, 71.07 (3w), 71.28 (3w), and 71.47 (3w), Wis Stats. Among other things, these statutes cover applicable definitions, eligibility for tax benefits, and limits on the tax benefits.

Each EZ may exist for up to 12 years.<sup>1</sup> WEDC may cap the award and/or limit the number of years in which credits may be claimed by a Certified Business within the EZ. But there is no statutory cap on allocated Tax Credits per award, or on the overall program.

**Definitions:**

The following definitions supplement those in §§ 238.399, 71.07 (3w), 71.28 (3w), 71.47 (3w) Wis Stats.

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<sup>1</sup> Wis. Stat. Sec. 238.399(4).



- “Base Year” means the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the Certified Business is located takes effect.<sup>2</sup>
- “Certified Business” means a business certified by WEDC as eligible to earn Tax Credits based on the parameters of this guideline and based on the business’ total number of Eligible Employees in the State of Wisconsin as determined by the Federal Employment Identification Number (“FEIN”) under which the business files its taxes.
- “Certification Date” means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins. No activities occurring prior to the Certification Date will be considered in allocating Tax Credits.
- “Eligible Training Cost” means (1) the cost of the trainer; (2) the cost of the training materials; (3) the wages of the trainee while in a classroom setting; or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting.<sup>3</sup> Eligible training costs do not include travel expenses, food or lodging.
- A “Full-Time Employee”: means an individual who is employed in a regular, nonseasonal job for which the annual pay is more than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage, and an individual in the position is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.<sup>4</sup>

Employees that do not meet the definition will not be counted toward headcount or wages.

- A “Partial-Year Employee” means an individual who only worked part of the year due to their hiring or termination dates, who would have met the Full-Time Employee definition had they worked the full year. Part-time or seasonal employees do not count as Partial-Year Employees.
- “Ineligible Business” means businesses ineligible for Tax Credits unless extraordinary circumstances exist, including but not limited to a serious threat of a business leaving the state, significant job creation or retention, or Significant Capital Investment, and such extraordinary circumstances are approved by the Board of Directors’ Awards Administration Committee. Such Ineligible Businesses include:
  - Payday loan and title loan companies
  - Telemarketing other than inbound call centers
  - Pawn shops
  - Media outlets
  - Retail

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<sup>2</sup> Wis. Stat. Sec. 71.07(3w)(a)1; Wis. Stat. Sec. 71.28(3w)(a)1; Wis. Stat. Sec. 71.47(3w)(a)1.

<sup>3</sup> Wis. Stat. Sec. 71.07(3w)(bm)1; Wis. Stat. Sec. 71.28(3w)(bm)1; Wis. Stat. Sec. 71.47(3w)(bm)1.

<sup>4</sup> While there are two statutory definitions of Full-Time Employee, WEDC utilizes the above identified definition in its contracts: Wis. Stat. Sec. 238.399(1)(am)2.



- Farms
  - Primary care medical facilities
  - Financial Institutions
  - The hospitality industry
- “Significant Capital Expenditure” means a capital investment in a WEDC-designated EZ, beyond a Certified Business’s normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.<sup>5</sup>
  - “Significant Capital Investment” means a capital investment in excess of \$10 million in a WEDC-designated EZ, beyond a Certified Business’s normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.<sup>6</sup>
  - “Significant Supply Chain” means a business that has a supply chain in the state which is designated by WEDC as significant. In determining whether the chain is significant, WEDC may consider any of the following factors:
    - The number of employees throughout the supply chain
    - The number of suppliers in the supply chain
    - The total cost of the components purchased from the supply chain
    - The number of units purchased from the chain
  - “Tax Credits” means the EZ Tax Credits authorized pursuant to Wisconsin Statutes §§ 238.399, 71.07 (3w), 71.28 (3w), 71.47 (3w)
  - “Taxable Year” means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes.<sup>7</sup>
  - “Tier I county or municipality” and “Tier II county or municipality” means a county or municipality so designated by WEDC. In designating either a Tier I county or municipality or a Tier II county or municipality, WEDC will consider the most current data available for the area and state using the following indicators:
    - Unemployment rate – from the Department of Workforce Development.
    - Percentage of families with incomes below the poverty line established under 42 USC 9902 (2) – from the U.S. Census Bureau.
    - Median family income – median household income from the U.S. Census Bureau.
    - Median per capita income – from the Department of Workforce Development.
    - Average annual wage – from the Department of Workforce Development.
    - Manufacturing assessment values, by county – from the Department of Revenue.
    - Other significant or irregular indicators of economic distress – such as a natural disaster, or plant closings and layoffs – from the Department of Workforce Development.

In determining a distressed county (Tier 1), each category above will annually be assigned a value between 1-72 with 72 being the highest distress ranking and an aggregate score for

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<sup>5</sup> Wis. Stat. Sec. 238.399(6)(g)3.

<sup>6</sup> Wis. Stat. Sec. 238.399(6)(g)2m.

<sup>7</sup> Wis. Stat. Sec. 71.01(12),



each county considering the 7 factors. The counties are ranked by their aggregate score with the highest-ranked one-third (24) counties considered distressed. Additionally, the City of Milwaukee and any county with two top-ten distress rankings in any given category will also be considered distressed.

- “Zone Payroll” means the amount of state payroll that is attributable to wages paid to Full-Time Employees for services that are performed in an EZ. Zone Payroll does not include the amount of wages paid to any Full-Time Employees that exceeds \$100,000.<sup>8</sup>

### **Enterprise Zone Designation**

Designation of Enterprise Zone is based on the following factors.<sup>9</sup>

- Indicators of the area's economic need, data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, and the existing resources available to the area.
- The effect of designation on other initiatives and programs to promote economic and community development in the area, including job retention, job creation, job training, and creating high-paying jobs.
- Preference is given based on the greatest economic need.

WEDC designates Enterprise Zones based on company specific projects. In determining whether to designate an EZ, WEDC may evaluate a wide range of factors including the following:

- Whether the project might not occur without the allocation of Tax Credits.
- The extent to which the project will increase employment in this state.
- The extent to which the project will contribute to the economic growth of this state.
- The extent to which the project will increase geographic diversity of available Tax Credits throughout this state.
- The financial soundness of the business.
- Whether the business offers health, retirement and other benefits.
- Any previous financial assistance that the business received from the Department of Commerce/WEDC.

Of the 30 EZ available,<sup>10</sup> 5 should be in “Low Population Zones.”<sup>11</sup>

- 3 must be located in political subdivisions with populations of less than 5,000; and
- At least 2 must be located in political subdivisions with populations between 5,000 and 30,000.

WEDC must designate the EZ as a Tier 1 or Tier 2 as of the Certification Date.<sup>12</sup>

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<sup>8</sup> Wis. Stat. Sec. 71.07(3w)(a)5; Wis. Stat. Sec. 71.28(3w)(a)5; Wis. Stat. Sec. 71.47(3w)(a)5. “State Payroll” is defined in Wis. Stat. Sec. 71.07(3w).

<sup>9</sup> Wis. Stat. Sec. 238.339(3)(b).

<sup>10</sup> Wis. Stat. Sec. 238.399(3)(a).

<sup>11</sup> Wis. Stat. Sec. 238.399(3)(d).

<sup>12</sup> Wis. Stat. Sec. 238.399(5)(c).



## Certification

A business may qualify for EZ certification in the following five circumstances where the business:

1. **Begins operation in EZ**<sup>13</sup>
2. **Relocates to EZ from out of state**<sup>14</sup>
  - a. The business must offer compensation and benefits to employees in the EZ that are at least as favorable as those offered to employees working outside the zone for the same type of work.
3. **Expands operation in EZ (Must meet either sub. a or sub. b)**
  - a. Increase Personnel by 10%<sup>15</sup>
    - i. The business enters into an agreement to claim benefit only for years in which the business maintains increased level of personnel;  
and
    - ii. Compensation and benefit for employees in the EZ that are at least as favorable as those offered to employees working in Wisconsin but outside zone  
"Personnel" defined to include both (1) A business' employees in an enterprise zone and (2) Individuals who provide services to a business as independent contractors in this state.<sup>16</sup>
  - b. Significant Capital Investment<sup>17</sup>
    - i. The business enters into an agreement to claim benefit only for years in which the business maintains increased level of capital investment;  
and
    - ii. Compensation and benefit for employees in the EZ that are at least as favorable as those offered to employees working in Wisconsin but outside zone
4. **Retains Jobs in the EZ**<sup>18</sup>
  - a. But must also make a Significant Capital Investment in property located in enterprise zone and, unless EZ located in Rural Zone, must either:
    - i. Qualify as a manufacturer with Significant Supply Chain in state;  
or
    - ii. Or have more than 500 Full-Time Employees in EZ
5. **Wisconsin Supply Chain**<sup>19</sup>
  - a. Business located in the EZ purchases substantial amounts of tangible personal property, items, property or goods or services from Wisconsin vendors

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<sup>13</sup> Wis. Stat. Sec. 238.399(5)(a).

<sup>14</sup> Wis. Stat. Sec. 238.399(5)(b).

<sup>15</sup> Wis. Stat. Sec. 238.399(5)(c)1.

<sup>16</sup> Wis. Stat. Sec. 238.399(1)(bm).

<sup>17</sup> Wis. Stat. Sec. 238.399(5)(c)2.

<sup>18</sup> Wis. Stat. Sec. 238.399(5)(d).

<sup>19</sup> Wis. Stat. Sec. 238.399(5)(e).



The corporation shall revoke the certification<sup>20</sup> to claim tax benefits if the person does any of the following:

- Supplies false or misleading information to obtain tax benefits.
- Leaves the enterprise zone to conduct substantially the same business outside of the enterprise zone.
- Ceases operations in the enterprise zone and does not renew operation of the business or a similar business in the enterprise zone within 12 months.

### **Tax Credits Calculation**

A Certified Business may qualify for Tax Credits only for eligible activities that occur after the Certification Date established by WEDC. A Certified Business may be eligible to earn Tax Credits for multiple eligible activities. The amount of Tax Credits earned for each activity shall align with the following calculations, capped at amounts determined by WEDC to be reflective of the economic impact the project will have in the state of Wisconsin.

A Certified Business may qualify for EZ Tax Credits in one or more of the following categories: Job Creation, Job Retention, Training Tax Credit, Capital Investments, and Wisconsin Supply Chain. Each are described in detail herein.

### **Job Creation Tax Credit Calculation:**<sup>21</sup>

Business would be entitled to a credit of up to seven percent (7%) as identified in the following 5 step calculation.

**Step 1: Identify “New Full-Time Employees.”**<sup>22</sup> For calculation purposes, the New Full-Time Employees are identified as the lesser of:<sup>23</sup>

- **New Full-Time Employees in the EZ:** The number of Full-Time Employees in the EZ in the taxable year minus the number of Full-Time Employees in the EZ in the base year; or
- **New Full-Time Employees in the State:** The number of Full-Time Employees in the state in the taxable year minus the number of Full-Time Employees in the state in the base year.

Partial Year Employees are included in these calculation as follows:

- Partial-Year Employees whose employment was terminated prior to the end of the taxable year will not be counted as a New Full-Time Employee.
- Partial-Year Employees employed as of the end of the taxable year will be counted as a New Full-Time Employee.

**Step 2: Identify “Average Zone Payroll.”** Determine the recipient’s average Zone Payroll by dividing the total wages of Full-Time Employees employed in the EZ in the taxable year by the number of Full-Time Employees employed in the EZ in the taxable year.<sup>24</sup> Any wages earned by a Full-Time employee in excess of one hundred thousand dollars (\$100,000) will not be counted in this calculation;<sup>25</sup>

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<sup>20</sup> Wis. Stat. Sec. 238.399(6)(b).

<sup>21</sup> Wis. Stat. Sec. 71.07(3w)(b)1; Wis. Stat. Sec. 71.28(3w)(b)1; Wis. Stat. Sec. 71.47(3w)(b)1.

<sup>22</sup> Wis. Stat. Sec. 238.399 (1) (am).

<sup>23</sup> Wis. Stat. Sec. 71.28(3w)(b).

<sup>24</sup> Wis. Stat. Sec. 71.07(3w)(b)2; Wis. Stat. Sec. 71.28(3w)(b)2; Wis. Stat. Sec. 71.47(3w)(b)2.

<sup>25</sup> Wis. Stat. Sec. 71.07(3w)(a)6; Wis. Stat. Sec. 71.28(3w)(a)6; Wis. Stat. Sec. 71.47(3w)(a)6.





**Step 3: Calculate “Average Eligible Wage Amount.”** Subtract the minimum threshold (depending on the Tier) as identified below from the Average Zone Payroll.

- Tier 1: 2,080 multiplied by 150 percent of the federal minimum wage
- Tier 2: \$30,000

**Step 4: Calculate “Creditable Wage Amount.”** Multiply the Average Eligible Wage Amount by the New Full-Time Employees in the zone.<sup>26</sup> After identifying the total wages for all New Full-Time Employees, add the qualified wages for all Partial-Year Employees.

**Step 5: Job Creation Credit Determination.** Multiply the Creditable Wage Amount by the credit percentage (which cannot exceed 7 percent).<sup>27</sup>

Full-Time Employees created and awarded Job Creation Tax Credits shall be maintained for the duration of the EZ and may be subject to additional contractual requirements as required by WEDC.

***Job Retention Tax Credit Calculation:***<sup>28</sup>

Business would be entitled to a credit of up to seven percent (7%) as identified in the following calculation.

To qualify, the total number of Full-Time Employees must be equal to or greater than the total number of Full-Time Employees in the base year to earn retention credits. The calculation of Job Retention credits cannot include wages paid to any Full-Time Employee that exceeds \$100,000.<sup>29</sup>

**Step 1: Confirm “Retained Employees.”** The number of Retained Employees must be equal to or greater than the Full-Time Employees identified in the base year.

Partial-Year Employees are included in this calculation as follows:

- Partial-Year Employees whose employment was terminated prior to the end of the taxable year will not be counted as a Full-Time Employee.
- Partial-Year Employees employed as of the end of the taxable year will be counted as a Full-Time Employee.

**Step 2: Confirm “Base Year Zone Payroll.”** Current Zone Payroll must be the same or more than Base Year Zone Payroll. Wages for all Partial-Year Employees are included in these calculations.

**Step 3: Job Retention Credit Determination.** Multiply the Base Year Zone Payroll by the credit percentage (which cannot exceed seven percent (7%)).

<sup>26</sup> Wis. Stat. Sec. 71.07(3w)(b)4; Wis. Stat. Sec. 71.28(3w)(b)4; Wis. Stat. Sec. 71.47(3w)(b)4.

<sup>27</sup> Wis. Stat. Sec. 71.07(3w)(b)5; Wis. Stat. Sec. 71.28(3w)(b)5; Wis. Stat. Sec. 71.47(3w)(b)5.

<sup>28</sup> Wis. Stat. Sec. 71.07(3w)(bm)2; Wis. Stat. Sec. 71.28(3w)(bm)2; Wis. Stat. Sec. 71.47(3w)(bm)2.

<sup>29</sup> Wis. Stat. Sec. 71.07(3w)(a)6; Wis. Stat. Sec. 71.28(3w)(a)6; Wis. Stat. Sec. 71.47(3w)(a)6.



Job retention credits may only be earned in years in which the Certified Business has maintained the number of Full-Time Employees employed in the Base Year and may only be earned for 5 consecutive taxable years.

**Training Tax Credit Calculation:**<sup>30</sup>

Business would be entitled to a credit of up to 100% of the amount paid in a taxable year for any of the following activities:

- Upgrade or improve the job-related skills of any of the claimant's full-time employees;
- Train any of the claimant's full-time employees on the use of job-related new technologies; or
- Provide job-related training to any full-time employee whose employment with the claimant represents the employee's first full-time job.

This credit only applies to employees who work in an enterprise zone.

**Wisconsin Supply Chain Tax Credit Calculation:**<sup>31</sup>

The amount of Tax Credits earned may equal up to 1% of the amount that the Certified Business will pay to purchase tangible personal property, items, property, or goods under s. 77.52(1)(b), (c), or (d), or services from Wisconsin vendors, as determined by WEDC, except that the Certified Business may not be awarded supply chain and capital investment Tax Credits for the same expenditures.

**Significant Capital Expenditure Tax Credit Calculation:**<sup>32</sup>

Business entitled to up to 10 percent of the Certified Business' Significant Capital Expenditures.

Capital Expenditures are generally defined as depreciable, tangible assets such as land, buildings, and equipment. Credit will be allowed for both capital leases or purchased property.

Significant Capital Expenditures made for which Capital Investment Tax Credits are earned shall be maintained for the duration of the zone and may be subject to additional contractual requirements as required by WEDC.

**Verification:**

Certified Businesses will be required to submit documentation outlining the eligible activities, actual wages and expenditures to be awarded its designated EZ Tax Credits. WEDC may request additional information from the Certified Business.

WEDC will annually determine the amount of Tax Credits earned and able to be claimed by the Certified Business based on eligible activities, actual wages and expenditures pursuant to ss. 71.07 (3w), 71.28 (3w), or 71.47 (3w).<sup>33</sup>

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<sup>30</sup> Wis. Stat. Sec. 71.07(3w)(bm)1; Wis. Stat. Sec. 71.28(3w)(bm)1; Wis. Stat. Sec. 71.47(3w)(bm)1.

<sup>31</sup> Wis. Stat. Sec. 71.07(3w)(bm)4; Wis. Stat. Sec. 71.28(3w)(bm)4; Wis. Stat. Sec. 71.47(3w)(bm)4.

<sup>32</sup> Wis. Stat. Sec. 71.07(3w)(bm)3; Wis. Stat. Sec. 71.28(3w)(bm)3; Wis. Stat. Sec. 71.47(3w)(bm)3.

<sup>33</sup> Wis. Stat. Sec. 238.399(6)(f).



WEDC will notify the Certified Business and the Department of Revenue of the amount eligible to be claimed against the Certified Business' taxes each year with a written verification of the Tax Credits earned.<sup>34</sup> A Certified Business must attach appropriate forms to its Wisconsin tax return submitted to the Department of Revenue to obtain the tax benefits. No person may file with the Department of Revenue for Tax Credits without the written verification of WEDC.<sup>35</sup>

Tax Credits are refundable and non-transferable. If the amount of Tax Credits approved for a tax year exceeds the amount of tax due for the tax year, the excess credit amount will be refunded to the Certified Business.<sup>36</sup>

The corporation may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment levels or a Significant Capital Investment in property required by its agreement.<sup>37</sup>

**Incentives and Available Funding (FY18):** 5 standard and 2 rural (<5,000) EZ designations

As of June 30, 2017, 7 of 30 EZ designations are still available for use.

Previously designated Enterprise Zones may be reused under the following circumstances:

- If the enterprise zone is revoked.<sup>38</sup>
- If the enterprise zone expires.<sup>39</sup>

The incentives under this program are refundable Tax Credits according to the following stipulations:

EZ Job Creation Credit: A Tax Credit equal to no more than 7% of the net increase in EZ payroll from base in a Tier I county or municipality, less 150% times the Federal Minimum Wage per new, Full-Time Employee and up to \$100,000 per employee, or a 7% Tax Credit against the lesser of the net increase in state payroll and EZ payroll from base in a Tier II county or municipality, less \$30,000 per new, Full-Time Employee and up to \$100,000 per employee. Calculations are relative to a base year which is fixed as the year before the EZ takes effect. This benefit may be awarded for up to 12 years.

EZ Job Retention Credit: A Tax Credit equal to no more than 7% of the taxpayer's EZ payroll in a Tier I county or municipality that is paid to full-time employees who earn more than 150% times the Federal Minimum Wage, but less than \$100,000, in annual wages, less the amount paid to new full-time employees, or no more than 7% of the taxpayer's EZ payroll in a Tier II county or municipality that is paid to full-time employees who earn more than \$30,000, but less than \$100,000, in annual wages, less the amount paid to new full-time employees. This benefit may be awarded for no more than five consecutive years.

Training Credit: The amount of Tax Credits for training for a Certified Business may equal up to 100% of the total eligible training costs.

- Amount paid to upgrade or improve skills of full-time employees
- Amount paid to train any full-time employees on new technology

<sup>34</sup> Wis. Stat. Sec. 238.399(6)(e).

<sup>35</sup> Wis. Stat. Sec. 71.07(3w)(c)3; Wis. Stat. Sec. 71.28(3w)(c)3; Wis. Stat. Sec. 71.47(3w)(c)3.

<sup>36</sup> Wis. Stat. Sec. 71.07(3w)(c); Wis. Stat. Sec. 71.28(3w)(c); Wis. Stat. Sec. 71.47(3w)(c).

<sup>37</sup> Wis. Stat. Sec. 238.399(6)(d).

<sup>38</sup> Wis. Stat. Sec. 238.399 (3) (e).

<sup>39</sup> Wis. Stat. Sec. 238.399 (4) (b).



- Amount paid to train full-time employees who are in their first full-time job

**Investment Credit:** The business may also claim up to 10% of its Significant Capital Expenditures. This benefit may be awarded for up to 12 years.

**Wisconsin Supply Chain Credit:** The business may also claim up to 1% of the amount it paid to purchase tangible personal property, items, property, goods or services from Wisconsin vendors. Businesses may not claim the Wisconsin Supply Chain Credit and the Investment Credit for the same expenditures. This benefit may be awarded for up to 12 years.

### **Activities & Expected Outcomes:**

Assist 3 businesses to support the creation of 1,500 jobs, retention of 1,000 jobs, and achieve a 5:1 leverage of other investment.

### **Performance Reporting:**

Recipients will be required to annually submit a performance report documenting capital investment, job creation, job retention, as well as any other contract deliverable.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

### **Application and Awards Process:**

Applicants for the EZ program should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.



**Revision History:**

Effective Date	Description of Change
7/1/2017	Added "Base Year" and "Zone Payroll" definitions to clarify eligibility requirements
7/1/2017	Clarified definition of "Full-Time Employee" to reflect standard WEDC contract language
7/1/2017	Eliminated redundant language related to benefits offered by the business
7/1/2017	Added statutory references to clarify business certification requirements
7/1/2017	Added statutory references to calculation of tax credits to clarify methodology used for eligible activities
7/1/2017	Added statutory references to verification of tax credits to clarify the required documentation
9/18/2017	Added "Financial Services Technology Corporate Headquarters Retention Addendum" per the statutory revisions in 2017 Act 58 (approved 9/28/2017)
9/23/2017	Pursuant to 2017 Act 59, WEDC may reuse expired or revoked zones
10/##/2017	Added and clarified some definitions

**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Counsel & Compliance Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Director of Public Policy: \_\_\_\_\_ Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_ Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_ Date \_\_\_\_\_



**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2018**

**Program Name:** Historic Preservation Tax Credit (HTC)

**Program Inception:** 2013 Wisconsin Act 62

**Lead Division:** Business and Community Development

**New**

**Revised**

**Aid**

**Pass-thru Aid**

**Technical Assistance**

**Program Goal:**

The goal of the Historic Preservation Tax Credit (HTC) Program is to incent reinvestment into historic main streets, downtowns, and commercial districts in the state of Wisconsin.

This program primarily supports the following WEDC Strategic Pillar and Focus Area:

Community and Economic Opportunity: Downtown Development

**Program Description:**

The Historic Preservation Tax Credit program provides transferable tax credits to eligible entities rehabilitating certified historic buildings.

- The Certified Historic Structure program provides tax credits for rehabilitating “certified historic structures” which means any building (and its structural components) which—
  - is listed in the National Register, or
  - is located in a registered historic district and is certified by the Secretary of the Interior to the Secretary as being of historic significance to the district.
- The Qualified Rehabilitated Buildings program provides similar credits to pre-1936 non-historic properties in Wisconsin.

Both credits are 20% of qualified rehabilitation expenses and may be transferred to a third party in exchange for cash. Historic rehabilitations incented through this program must be recommended by the State Historic Preservation Officer (SHPO) as certified historic properties. Qualified Rehabilitated Buildings will apply directly to WEDC for the non-historic credit; however, the Qualified Rehabilitated Buildings program is on moratorium, effective June 23, 2014.

**Eligibility Requirements:**

Nonprofits are not eligible for certification unless 1) the entity is a 501(c)(3), and the entity intends to sell or otherwise transfer the credit, or 2) the entity is a nonprofit other than a 501(c)(3) as described above, and WEDC receives approval of the proposed project from the Joint Committee on Finance under 14-day passive review.

### Certified Historic Structure:

For taxable years beginning after December 31, 2013, applicants may be certified to claim tax incentives for qualified rehabilitation expenditures on eligible buildings and projects.

An eligible project is one in which:



Certification requires that the claimant provide the following to the WEDC:

- Evidence that the rehabilitation was recommended by the State Historic Preservation Officer (SHPO) for approval by the secretary of the interior before the physical work of construction, or destruction in preparation for construction, began.
- Taxpayer obtained written certification from SHPO that the property qualifies under any of the following:
  - Listed in the National Register of Historic Places or the State Register of Historic Places;
  - Determined by the Wisconsin Historical Society (WHS) to be eligible for listing in the National Register of Historic Places or the State Register of Historic Places;
  - Located in a historic district that is listed in the National Register of Historic Places or the State Register of Historic Places and is certified by the SHPO as being of historic significance to the district; or
  - An outbuilding of an otherwise eligible property certified by the SHPO as contributing to the historic significance of the property.
- The costs were not incurred before the state historical society approved the proposed preservation or rehabilitation plan
- The cost of the person's qualified rehabilitation expenditure, as defined in section 47 (c)(2) of the Internal Revenue Code, is at least \$50,000.
- The rehabilitated property is placed in service after December 31, 2013.
- The proposed preservation or rehabilitation plan complies with standards promulgated under § 44.02 (24), Wis Stats and the completed preservation or rehabilitation substantially complies with the proposed plan.
- No physical work of construction or destruction began prior to the recommendation of the proposed preservation or rehabilitation by the SHPO.
- The eligible costs are not incurred to acquire any building or interest in a building or to enlarge an existing building.

The WEDC may deny certification to an otherwise eligible project based on funding availability or other application criteria. Funding certifications will be effective for three years commencing on the initial date of certification and must be claimed based on actual qualified rehabilitation expenditures by the conclusion of the three-year period; however, a project may be approved for six years if the rehabilitation is substantial and occurring in phases. WEDC may extend certification windows at its discretion.

If a person who claims a credit under this subsection and a credit under section 47 of the Internal Revenue Code for the same qualified rehabilitation expenditures is required to repay any amount of the credit claimed under section 47 of the Internal Revenue Code, the person shall repay to the department a proportionate amount of the credit claimed under this subsection.

### Qualified Rehabilitated Buildings:

For taxable years beginning after December 31, 2013, applicants may be certified to claim tax incentives for qualified rehabilitation expenditures related to qualified rehabilitated buildings (non-historic).



“Qualified Rehabilitated Buildings” means any building (and its structural components) that meets all of the following—

- Has been substantially rehabilitated;
- Was placed in service before the beginning of the rehabilitation;
- Qualifies as an eligible project as defined below; and
- Depreciation (or amortization in lieu of depreciation) is allowable with respect to such building.

WEDC also requires the following specifications:

- The building was placed in service before 1936 and has not been relocated.
- The building must not be, nor eligible to be, a Certified Historic Structure.
- The building will be placed in service after December 31, 2013.

An eligible project is one in which:

- The cost of the person’s qualified rehabilitation expenditure, as defined in section 47 (c) (2) of the Internal Revenue Code, is at least \$50,000.
- At least 50% of the building’s external walls existing at the time the rehabilitation began must remain in place as external walls at the work’s conclusion.
- At least 75% of the building’s existing external walls must remain in place as either external or internal walls.
- At least 75% of the building’s internal structural framework must remain in place.
- Depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.
- No physical work of construction or destruction began prior to WEDC certification.

No credit may be claimed under this subdivision for:

- A property listed as a contributing building in the state register of historic places or in the national register of historic places; or
- For nonhistoric, nonresidential property converted into housing if the property has been previously used for housing.

**Important Note:** Applicants may be certified to claim tax incentives for qualified (non-historic) rehabilitation expenditures for taxable years beginning after December 31, 2014 if all of the following provisions apply:

- WEDC previously certified the qualified rehabilitation expenditures prior to January 1, 2015.
- The proposed project is located in the City of Green Bay.
- The proposed project is located on the same parcel as the previously certified project or on a parcel contiguous to the previously certified project
- WEDC determines the applicant is eligible to claim the credit under section 47 of the Internal Revenue Code for the previously certified qualified rehabilitation expenses.



WEDC may deny certification to an otherwise eligible project based on funding availability or other application criteria. Funding certifications will be effective for three years commencing on the initial date of certification and must be claimed based on actual qualified rehabilitation expenditures by the conclusion of the three-year period. WEDC may extend certification windows at its discretion.



If a person who claims a credit under this subsection and a credit under section 47 of the Internal Revenue Code for the same qualified rehabilitation expenditures is required to repay any amount of the credit claimed under section 47 of the Internal Revenue Code, the person shall repay to the department a proportionate amount of the credit claimed under this subsection.

### **Incentives and Available Funding (FY18):**

The incentive through this program is a 20% transferable tax credit of qualified rehabilitation expenses. Fund certifications are awarded on a rolling basis, at the discretion of WEDC.

### **Activities & Expected Outcomes:**

Assist 40 community projects and achieve a 5:1 leverage of other investment.

### **Performance Reporting:**

Recipients will be required to submit the following performance reports:

- For Certified Historic Building projects, recipients will be required to submit to WHS Part III of the Historic Preservation Certification Application upon project completion.
- For Qualified Rehabilitated Building projects, recipients will be required to submit DOR form Schedule HR upon project completion.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

### **Application and Awards Process:**

#### *Certified Historic Buildings:*

WEDC HTC certifications for Certified Historic Buildings will adhere to the following process:

1. Applicant must submit Part I and II of the Historic Preservation Certification Application to WHS.
2. WHS will provide to WEDC evidence that the planned rehabilitation is recommended by the SHPO.
3. WEDC, upon review, may issue a Historic Preservation Tax Credit Certification.
4. Upon completion of work, the applicant will submit to WHS Part III of the Historic Preservation Certification Application.
5. WHS will provide to WEDC evidence that the completed rehabilitation complies with WHS standards.

Certifications may be amended by submitting the project through SHPO's Part II amendment process or upon completion of the Part III Historic Preservation Certification Application. WEDC will determine if the amendment warrants an increase in certified funds.



Qualified Rehabilitated Buildings

1. Applicant must submit to WEDC a Qualified Rehabilitated Buildings Application.
2. WEDC, upon review, may issue a Historic Preservation Tax Credit Certification.
3. Upon completion of work, the applicant will submit to WEDC a copy of DOR form Schedule HR to claim the Federal 10% Rehabilitation Tax Credit for non-historic buildings, if applicable.

For more information on application review, internal process, and award distribution, please refer to the WEDC's award administration policies and procedures.

**Revision History:**

Effective Date	Description of Change
7/1/2017	Revised reporting requirements to use DOR Schedule HR instead of IRS form 3468
7/1/2017	Clarified eligibility requirements for certified historic structures and qualified rehabilitated buildings
9/23/2017	Pursuant to 2017 Act 59, prohibited nonprofits from eligibility for certification except under certain circumstances
9/23/2017	Pursuant to 2017 Act 59, recipients are required to repay a proportionate amount of the state credits in cases where claimants were required to repay any portion of the federal credits

**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Counsel & Compliance Officer
- Chief Financial Officer
- Other \_\_\_\_\_



Director of Public Policy: \_\_\_\_\_

Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_

Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_

Date \_\_\_\_\_



**Wisconsin Economic Development Corporation  
Program Guidelines for Fiscal Year 2018**

**Program Name:** Qualified New Business Venture Certification/Early Stage Business Investment Program

**Program Inception:** 2005 Wisconsin Act 255

**Lead Division:** Entrepreneurship and Innovation

New       Revised

Aid       Pass-thru Aid       Technical Assistance

**Program Goal:**

The goal of the Qualified New Business Venture (QNBV) program is to incent equity investment in technology-based businesses in the state of Wisconsin.

This program primarily supports the following WEDC Strategic Pillar and Focus Area:

Business Development: Entrepreneurship and Innovation

**Program Description:**

The program provides tax credits to eligible Angel and Venture Fund investors who make cash equity investments in qualified early-stage businesses. If all eligibility requirements are met, investors receive a Wisconsin income tax credit equal to 25 percent of the value of the investment made in the certified company. The investments incented by this program provide the capital necessary for emerging growth companies to develop new products and technologies, move products to market, and provide high quality jobs in Wisconsin.

**Eligibility Requirements:**

**Definitions:**

The following definitions supplement those in §§ 238.15, 71.07(5b) and (5d), 71.28(5b), 71.47(5b), and 76.638, Wis Stats.

- “Accredited investor” means an individual who: Invests his or her own funds in a qualified new business venture; and satisfies the U.S. Securities and Exchange Commission Accredited Investor definition at the time of investment.
- “Angel investment network” means an entity comprised of accredited investors organized for the sole purpose of making investment(s) in qualified new business venture(s).
- “Angel investor” means an accredited investor or sophisticated investor who makes a bona fide angel investment.
- “Approved” means acceptable to WEDC.



- "Bona fide angel investment" means a purchase of an equity interest, or any other expenditure, as further defined under "investment", that is made by any of the following:
  - A partnership or limited liability company that is a non-operating entity, as determined by the department of commerce or the Wisconsin Economic Development Corporation, a natural person, or fiduciary who reviews new businesses or proposed new businesses for potential investment of their money.
  - A network of partnerships or limited liability companies that are a non-operating entity, as determined by the department of commerce or the Wisconsin Economic Development Corporation, natural persons, or fiduciaries that reviews new businesses or proposed new businesses for potential investment of the network's money.
- "Bona fide liquidity event" means any of the following events: (i) the reorganization, merger or consolidation of the company where a majority of its assets are distributed or otherwise paid out to shareholders, partners, or beneficial owners; (ii) the sale of all or substantially all of the assets of the company in one transaction or in a series of related transactions to a person who is not affiliated with the company; (iii) the sale of more than 50% of the outstanding equity interests in the company where following such sale the former owners of the outstanding equity interests in the company no longer beneficially control, directly or indirectly, the ability to control management decisions of the company or (iv) the first time the company sells shares of its common or preferred stock to the public on the open market.
- "Business" means an entity and all its affiliates.
- "Corporate Headquarters" means the location where the majority of the company's financial, personnel, legal, planning, or other headquarters functions are handled on a divisional, regional, national, or global basis.
- "Crowdfunding" means a legal securities offering conducted in accordance with Wisconsin's Crowdfunding exemption as regulated by the Wisconsin Department of Financial Institutions.
- "Differentiating technology" means a specialized product or process that demonstrates distinct and significant technological differences and advantages over potential competitors.
- "Eligible to claim a credit" means an investor has made an investment that has received tax credits as identified by a verification form issued by WEDC.
- "In operation" means in existence and running a business.
- "Investment" means the investment of cash in a qualified new business venture that is used for legitimate business purposes in exchange for any one of the following:
  - Common stock.
  - Partnership or membership interest.
  - Preferred stock.
  - An equivalent ownership interest in the qualified new business venture approved by the WEDC.



- “Kept in a certified business or certified fund manager” means the investment was made in a certified business and the investment is held, or kept, by the angel investor, angel investment network or certified fund manager, in the business or its successor.
- “Legitimate business purposes” means Investment proceeds used for normal operations of the business and are not used for activities including refinancing any prior investments, paying dividends to shareholders or other cash distributions to shareholders, stock repurchase, or other uses as determined by WEDC.
- “Qualified New Business Venture” or “QNBV” means a business WEDC has determined meets the requirements established by WEDC and the controlling statutes.
- “Sophisticated Investor” means an individual who has knowledge and experience in financial and business matters, and he or she is capable of evaluating the merits and risks of the prospective investment, or the QNBV reasonably believes immediately prior to making the investment that the undersigned comes within this description.
- “Worthless” means the business has been deemed insolvent as determined by WEDC and by evidence of identifiable events, such as a cessation of business, dissolution, distribution or a sale of substantially all of the company’s assets to repay outstanding debts, pay bankruptcy or receivership filings, or to make minimal equity distributions.

This policy has been reviewed and updated in consultation with the Department of Revenue, as required under § 238.15 (3) (d), Wis Stats.

#### Qualified New Business Venture Certification

QNBV Certification allows businesses to offer their equity investors the Angel or Early Stage Seed Income Tax Credits as an incentive for investing in their business. WEDC maintains flexibility in evaluating applications for certification to protect the intent of the QNBV program in focusing on economic development, particularly incentivizing in-state investors, in Wisconsin.

A business may be certified, and may maintain such certification, only if the business satisfies all of the following conditions, as amended in the 2015-2017 Biennial Budget (2015 Act 55, effective July 14, 2015):

- It has its headquarters in this state.
- At least 51 percent of the employees employed by the business are employed in this state.
- It has the potential for increasing jobs in this state, increasing capital investment in this state, or both, and any of the following apply:
  - It is engaged in, or has committed to engage in, innovation in any of the following:
    - Manufacturing, biotechnology, nanotechnology, communications, agriculture, or clean energy creation or storage technology.
    - Processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative technology products, or other products that are produced using manufacturing methods that are enabled by applying differentiating technology.
    - Services that are enabled by applying differentiating technology.



- It is undertaking pre-commercialization activity related to differentiating technology that includes conducting research, developing a new product or business process, or developing a service that is principally reliant on applying differentiating technology.
- It is not primarily engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction, except construction of power production plants that derive energy from a renewable resource, as defined in § 196.378 (1) (h), Wis Stats.
- It has less than 100 employees at the time of initial certification.
- It has been in operation in this state for not more than 10 consecutive years at the time of initial certification.
- For taxable years beginning before January 1, 2008, it has not received more than \$1,000,000 in investments that have qualified for tax credits under s. 71.07 (5d).
- It has not received aggregate private equity investment in cash of more than \$10,000,000 at the time of initial certification.
- For taxable years beginning after December 31, 2007 and before January 1, 2011, it has not received more than \$4,000,000 in Investments that have qualified for tax credits under the program
- For taxable years beginning after December 31, 2010, it has not received more than \$8,000,000 in investments that have qualified for tax credits under the program.

In addition to the factors outlined above WEDC will evaluate applications based on, but not limited to, the following factors:

- Whether the business is in one of Wisconsin's target industries as determined by WEDC.
- High growth potential of the business.
- Management team experience.
- Financial need.
- Percentage of funds that will be spent in Wisconsin.
- Barriers to entry.

A certified business must provide a statement in its private placement memorandum or equivalent documents indicating that WEDC does not endorse the quality of management of the business and is not liable for damages or losses to an investor.

Each qualified business must be recertified in each taxable year in which it desires certification. The company will also be required to provide a final report when it is determined that the company will not be pursuing recertification or is decertified by WEDC.

#### **Penalties:**

The certified company agrees that it will not relocate outside of this state during the 3 years after it receives an investment under which a tax credit may be claimed and agrees to pay WEDC a penalty if the business relocates outside of this state during that 3-year period. For the purposes of this paragraph, a business relocates outside of this state when the business locates more than 51 percent of any of the following outside of this state:

- The business's employees.



- The business's total payroll.
- The activities of the business's headquarters, as determined by WEDC.

For investments made after 12/31/2011 the amount of a penalty payment is determined as follows:

- If the relocation occurs less than 12 months after the investment, 100% of the tax credit that was claimed as the result of the investment.
- If the relocation occurs 12 months or more after the investment but less than 24 months after the investment, 80% of the tax credit that was claimed as the result of the investment.
- If the relocation occurs 24 months or more after the investment but less than 36 months after the investment, 60% of the tax credit that was claimed as the result of the investment.

2015 Act 55, effective July 14, 2015, provides that a business is considered to have not relocated outside of this state if WEDC determines that investment and employment levels have not diminished in Wisconsin, regardless of whether a business meets the penalty thresholds shown above for employees or payroll. Companies maintaining certification must continue to meet other program requirements including headquarters location. In addition, the penalty does not apply if WEDC certified a company prior to April 20, 2012, and the company converted a note or bond to an equity interest in reliance upon that certification.

#### Fund Manager Certification

A certified fund manager is eligible for Early Stage Seed tax credits when making investments in QNBV certified companies. An investment fund manager desiring certification for a specific fund shall submit an application to WEDC.

In determining whether to certify an investment fund manager, WEDC shall consider:

- The investment fund manager's experience in managing venture capital funds.
- The past performance of investment funds managed by the applicant.
- The expected level of investment in the investment fund to be managed by the applicant.
- Any other relevant factors as determined by WEDC.

WEDC will evaluate fund manager applications in order to protect the intent of the program, QNBV companies and investors.

In addition to the factors outlined above, WEDC will evaluate the following when determining whether to certify an investment fund manager:

- The applicant's experience in investing in high growth, early stage businesses.
- The past performance of businesses assisted by the applicant.
- The portion of the investment fund's capital the fund manager expects to invest in Qualified New Business Ventures.
- Geographic distribution of funds.
- Focus on targeted industries or target group members, as determined by WEDC.
- Ability to access follow-on funding.
- Services provided.
- Commitment to Wisconsin.
- Administrative and management fees.





A certified fund manager must provide a statement in its private placement memorandum or equivalent documents indicating that WEDC does not endorse the quality of management of the fund and is not liable for damages or losses to an investor.

### **Eligibility for Tax Credits:**

An Angel, Angel Network, and investors in a Certified Fund Manager are each eligible for a 25% tax credit for making investments in Qualified New Business Ventures. Tax Credit Request Forms can be found on WEDC's website.

### **Tax Credit qualifications:**

- Clearly identifiable as being cash investments.
- Must be in the form of common stock, preferred stock, partnership or membership interest, or equivalent ownership interest.
- Cash exchanged for debt is not eligible unless the debt is later converted into equivalent ownership interest as described above. Note: The amount, in this circumstance, used to calculate tax credits only includes the original cash investment and does not include accrued interest, unpaid fees, etc.
- 401(k), IRA, Roth IRA or similar tax deferred or tax advantaged accounts are not eligible investment vehicles for the Angel tax credit programs.
- Investor does not control or is not closely related (spouse, grandparent, parent, sibling, child, stepchild, grandchild) to someone who controls more than 20% of the ownership interest in the company at the time of the investment.
- Investments made by certified fund managers, with principal offices based outside of this state, must be made side by side with equity investors based in Wisconsin with a minimum participation by state investors as determined by WEDC.

*Note: As an example, out-of-state fund managers with strong management, a strong history of performance, and a focus on target industries and companies in Wisconsin will have minimal side-by-side investment requirements. By comparison out-of-state investors with smaller fund size, minimal experience, or a broad fund focus that does not parallel the goals of the program may have larger side-by-side investment requirements.*

- Public funds, including investments made by the State Fund of Funds and Federal State Small Business Credit Initiative programs, may not be used as the basis for claiming credits.

### **Process for requesting Tax Credits:**

The QNBV certified company in cooperation with the investor will complete the necessary forms. The tax credit request forms and required documentation shall be provided no later than 90 days following the end of the year in which investment was made that qualifies for credits. Upon review and approval of the required forms and documentation, WEDC will issue a verification form to the angel investor, angel investment network or certified fund manager stating the amount and type of tax credits that may be claimed.

### **Revocation:**

#### Revocation of Certification

WEDC may revoke or withhold the certification of a business or a fund and no new investment will qualify after revocation if the business or fund (1) supplies false or misleading information to obtain the



certification; (2) fails to continue to meet the required conditions or qualifications for obtaining the certification; (3) has violated or is under investigations for violations of state, federal or local laws or regulations related to the conduct of the activities of the business; (4) has had an officer or director arrested for or convicted of a crime substantially related to the activities of the business or fund; (5) is not using the funds for a legitimate business purpose as determined by WEDC; or (6) is in default of WEDC or other State obligations.

#### Revocation of Tax Credits

WEDC, in cooperation with the Wisconsin Department of Revenue, may revoke credits if an investment qualifying for tax credits under the program is not kept in a certified business for 3 years except as provided below:

- Upon review, WEDC determines that the investment becomes worthless prior to the end of the three year period.
- The Angel, Angel investment network, or certified fund manager has held an investment for at least 12 months and upon review the WEDC determines that a Bona Fide Liquidity Event has occurred prior to the end of the holding period.

#### **Transfer:**

Those eligible to claim a credit under the Early Stage Seed Investment Credit may sell or otherwise transfer the credit (subject to all applicable taxes and fees) no more than once in a 12-month period to another person who is subject to the applicable taxes and fees under Wis. Stat. § 71.02, 71.23, 71.47, or subchapter III of chapter 76. Credit transfers up to \$200,000 will be subject to a five percent fee; transfers in excess of \$200,000 will be charged a fee of at least \$10,000 or one percent of the credit amount transferred, whichever is greater. To effectuate a transfer, the fund manager must approve the transfer, then the certified fund manager must notify WEDC and the Department of Revenue of the transfer and must submit the following information to WEDC:

- A transfer form, as provided by WEDC, attesting to the transfer of the tax credit.
- A copy of the transfer documents showing the transfer of tax credits from the seller to the buyer.
- Any other documents as required by WEDC to verify the sale or transfer of tax credits.

#### **Incentives and Available Funding: \$30,000,000 allocated for CY17**

The aggregate amount of investment in any one qualified new business venture that may qualify for tax credits under the program is limited to \$8,000,000 or a different amount determined by WEDC at the time of certification or recertification.

The aggregate amount of Angel and Early Stage Seed tax credits that may be claimed for investments in businesses is limited to \$30,000,000 per calendar year.

#### **Activities & Expected Outcomes:**

Certify 35 new businesses, 5 fund managers, and achieve a 4:1 leverage.



### **Performance Reporting:**

Recipients will be required to annually submit a performance report in March documenting investment activities, job creation, job retention, average wages, company financials, eligibility checklist, as well as any other contract deliverable.

Regardless of eligibility status a certified company will be required to provide an annual report for minimum of 3 years following the receipt of investment that qualifies for credits under this program in order to monitor compliance with the penalty provisions. Failure to provide reports may result in WEDC enforcing penalty and/or revocation of tax credit provisions.

WEDC may impose additional reporting requirements to evaluate project performance and to ensure compliance with contract deliverables.

### **Application and Awards Process:**

Applicants for the QNBV program should complete an application through an Account Manager. The completed application will be assigned to an underwriter and go through the award review process.

For more information on application review, internal process, and award distribution, please refer to WEDC's award administration policies and procedures.

### **Revision History:**

<b>Effective Date</b>	<b>Description of Change</b>
7/1/2017	Added statutory references to clarify eligibility requirements
7/1/2017	Reorganized the penalties and revocation sections for logical consistency
9/23/2017	Pursuant to 2017 Act 59, unused QNBV tax credits can no longer be transferred to the Business Development Tax Credit Program.



**PROGRAM REVIEW:**

This document has been reviewed by the following parties (Check all that apply):

- Chief Operating Officer
- Chief Legal Counsel & Compliance Officer
- Chief Financial Officer
- Other \_\_\_\_\_

Director of Public Policy: \_\_\_\_\_

Date \_\_\_\_\_

Division Vice President: \_\_\_\_\_

Date \_\_\_\_\_

**AUTHORIZED APPROVAL:**

CEO or Designee: \_\_\_\_\_

Date \_\_\_\_\_

# MEMO



**To:** WEDC Board of Directors  
**From:** Faye Bokelman  
**CC:** Awards Administration Committee Members  
**Date:** November 6, 2017

**Re:** Summary of the September 27 and October 17, 2017 Awards Administration Committee Meetings

## **September 27, 2017**

The Enterprise Zone (EZ) program guideline addendum was reviewed and approved by the Committee and sent to the Board for final approval.

The Committee reviewed and approved two staff reviews in closed session. Both awards were sent to the Board for final approval.

## **October 17, 2017**

The Electronics and Information Technology Manufacturing Zone (EITMZ) program guidelines were reviewed and approved by the Committee and sent to the Board for final approval.

The Committee reviewed and approved two awards in closed session. And received an update on the status of the Foxconn contract.

*Please contact WEDC staff if you would like copies of the materials distributed to the Committee.*





**WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION  
MADISON, WISCONSIN**

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

**For the Year Ended  
June 30, 2017**



**Sikich<sup>®</sup>**

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION  
MADISON, WISCONSIN  
AUDITOR'S COMMUNICATION TO THE  
MEMBERS OF THE BOARD OF DIRECTORS  
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262.754.9400 // [www.sikich.com](http://www.sikich.com)

13400 Bishops Lane, Suite 300  
Brookfield, Wisconsin 53005

**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

October 27, 2017

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 April 10, 2017.

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



262.754.9400 // [www.sikich.com](http://www.sikich.com)

13400 Bishops Lane, Suite 300  
Brookfield, Wisconsin 53005

**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

October 27, 2017

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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 10, 2017. 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, 2017. We noted no transactions entered into by WEDC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **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 27, 2017.

#### **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**

**Year End: June 30, 2017**

**Adjusting Journal Entries**

**Date: 7/1/2016 To 6/30/2017**

<b>Number</b>	<b>Date</b>	<b>Name</b>	<b>Account No</b>	<b>Amount</b>
AJE-01	6/30/2017	Accrued Other Expenses	2050	231,199.13
AJE-01	6/30/2017	Accrued Other Expenses	2050	(202,674.27)
AJE-01	6/30/2017	Pension Bonds - Principal Payment	8002-6200	(85,090.11)
AJE-01	6/30/2017	Pension Bonds - Principal Payment	8002-6200	81,424.15
AJE-01	6/30/2017	Pension Bonds - Interest Payment	8003-6200	(146,109.02)
AJE-01	6/30/2017	Pension Bonds - Interest Payment	8003-6200	121,250.12
		To record bond obligation		

**WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION  
MADISON, WISCONSIN**

**MANAGEMENT LETTER**

June 30, 2017





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13400 Bishops Lane, Suite 300  
Brookfield, Wisconsin 53005

**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

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, 2017, 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. However, as discussed below, we identified a certain matter that we consider to be a significant deficiency and other matters that are opportunities for strengthening internal controls and operating efficiency, of which management should be aware. In addition we reviewed the status of the recommendations dated December 9, 2016. The status of these recommendations is included in Appendix A. This letter does not affect our report dated October 27, 2017, 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.

WEDC's written responses to the deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 27, 2017



## **SIGNIFICANT DEFICIENCY**

### **User Access Rights (Repeat Comment From 2016)**

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.

### **Management Response**

In Fiscal Year 2017, WEDC moved to a new payroll software system, PDS. The "full system administration" rights associated with PDS are broken down into two roles; 1) System Administrator and 2) Company Administrator. The System Administrator has the ability to change security settings within the system and is maintained by PDS. Any changes to those settings requires the Vice President of Human Resources approval. WEDC management recommends that the System Administrator role and approval process should not change.

The Company Administrator has the ability to create, edit, and terminate employees, as well as monitor other company administrator account actions. This access was previously provided to 5 individuals; the Vice President of Human Resources, the Payroll & Benefits Specialist, the Human Resources Assistant, the Controller, and the Vice President of Information Technology. WEDC will now limit the Company Administrator access to two individuals/roles; the Payroll & Benefits Specialist and the Human Resources Assistant (as backup).

In addition, for control purposes, the Vice President of Human Resources will continue to receive bi-weekly reporting in an email directly from PDS to include the payroll register, a change report showing all hires, terminations, and pay changes, as well as an employee listing. These reports will be reviewed bi-weekly for accuracy, signed by the Vice President of Human Resources, and maintained in the Vice President of Human Resources office. The Vice President of Human Resources and the Chief Financial Officer also reviews, and approves, payroll for each bi-weekly period.

## **DEFICIENCY**

### **Census Data (Repeat Comment From 2015)**

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.

### **Management Response**

WEDC management agrees with the recommendation and has immediately implemented a documented review step as part of the annual process.

## **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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as they relate to governments that provide benefits through OPEB plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions in Statement No.75 are effective for fiscal years beginning after June 15, 2017. Statement No. 75 is applicable for the fiscal year ending June 30, 2018.

## **OTHER COMMENTS (Continued)**

### **Future Accounting Pronouncements (Continued)**

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.

**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 vendors and employees in the financial accounting and payroll systems do not also have access to process transactions and do not have access to WEDC's assets. During our audit, we reviewed access rights in WEDC's financial accounting and payroll software. We noted several individuals with access rights that conflicted with their job duties. For example, we noted several individuals in the Finance department have access to set up new vendors, enter invoices, and edit transactions. We noted that there are also several individuals that have Security Administrator rights in the payroll system. Many of these individuals have positions with WEDC that should not grant them this type of access.

We recommend that WEDC review all of its business purposes, paying special attention to the job duties of the individuals that have access to these systems and implement internal controls using the establishment of user rights in the accounting systems that are consistent with their 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 -**

Accounting System: WEDC has implemented a two-step approach. Finance has created an audit trail report out of the accounting system to help support the monitoring process that currently is performed by the Controller and CFO. The Finance and IT departments have also restructured the security user roles in the accounting system to create a more automated solution to the segregation of duties risk.

Payroll System: Recommendation has not been implemented. Comment has been repeated in the current year.

**DEFICIENCY**

**Loan and Grant Compliance**

WEDC makes loans and disburses grant funds to approved businesses. The loan and grant agreements that bind the two parties contain several covenants that both parties agree to. Ongoing communication on project status and ability of client to achieve WEDC's program objectives is required by WEDC.

We tested 29 loans for compliance with loan covenants. Of the 29 loans tested, we noted that one of the participants was out of compliance with the documentation requirements of the agreement.

## **DEFICIENCY (Continued)**

### **Loan and Grant Compliance (Continued)**

We also tested 23 grants for compliance with grant covenants. Of the 23 grants tested, we noted that four of the participants were not in compliance with the reporting requirements of the agreement, as they did not submit the required reports for the year and WEDC did not issue a past due notice.

Due to the importance of the achievements of program objectives and the transparency required by the taxpayers, it is crucial for WEDC to implement the processes necessary to ensure that all entities receiving assistance are compelled to file the required information. We recommend that WEDC further revise its processes to ensure all loans are in compliance with their agreements.

### **Status -**

#### Financial Statement Tracking

As part of the continuing data quality process improvement initiative, WEDC performs data quality review checks on its annual performance reporting requirements.

#### Schedule of Expenditure (SOE) Tracking

WEDC has set up all required reporting schedules for the 4 awards in question into the ENABLE tracking system. In addition, WEDC went back to 6/30/13 (the date SOEs became a requirement) and set up SOE schedules on 25 additional awards where it was determined that SOE reporting schedules were not previously entered into our tracking system. WEDC has also implemented a post-close data quality review process in Fiscal Year 2017. As part of that review process, all required reporting schedules are identified to make sure they are entered in our tracking system for awards contracted subsequent to June 30, 2016.

# FIRM

## PROFILE

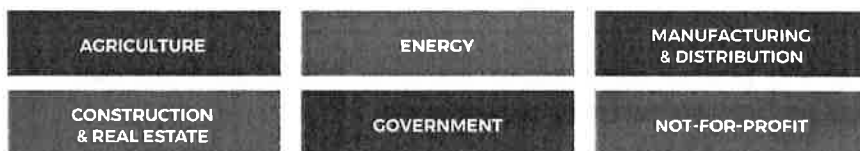


### ORGANIZATION

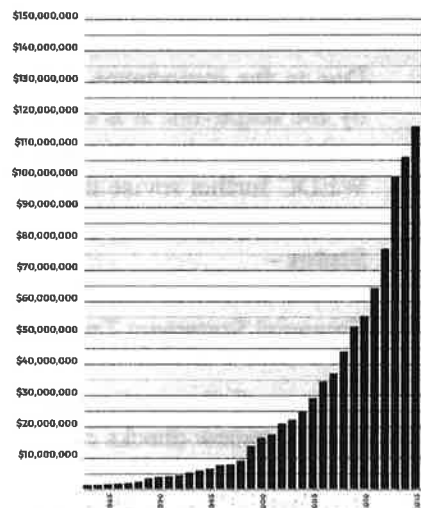
Sikich LLP, a leading professional services firm specializing in accounting, technology, investment banking\* and advisory services\*\*, has more than 800 employees throughout the country. Founded in 1982, Sikich now ranks as one of the country's Top 30 Certified Public Accounting firms and is among the top 10 of all enterprise resource planning solution partners in the country. From corporations and not-for-profits to state and local governments, Sikich clients can use a broad spectrum of services and products that help them reach long-term, strategic goals.

### INDUSTRIES

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:



### SIKICH TOTAL REVENUES



### STATISTICS

<b>2016 Revenues</b> .....	\$146.4M
<b>Total Partners</b> .....	107
<b>Total Employees</b> .....	689
<b>Total Personnel</b> .....	796

Personnel count as of January 19, 2017

### 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

### 2017 AWARDS

- Bob Scott's Value Added Reseller (VAR) Stars - #7
- *Accounting Today* Top 100 VARs - #6
- Vault Accounting Top Ranked
- *Accounting Today* Top 100 Firms: ranked 27th nationally
- Best Places to Work in Indiana
- When Work Works Award
- WorldatWork Work-Life Seal of Distinction
- Microsoft Dynamics Inner Circle and President's Club
- Best Places to Work in Illinois

### 2016 AWARDS

- *Accounting Today* Regional Leaders - Top Firms: Great Lakes: ranked 4th
- *Milwaukee Business Journal* Largest Management Consulting Firms: ranked 10th
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms: ranked 11th
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms: ranked 31st nationally
- Milwaukee's 101 Best and Brightest Companies to Work For®
- WICPA Excellence Award - Public Service Award (Firm)
- *Accounting Today* Top 100 VAR: ranked 7th
- Bob Scott's Top 100 VAR: ranked 7th
- US SMB Champions Club Heartland Partner of the Year, Microsoft's US Small and Mid-sized Business (SMB) Champions Club

### 2015 AWARDS

- National Best & Brightest Companies to Work For®
- National Best & Brightest in Wellness
- Edge Award - Community Service

- Chicago's 101 Best and Brightest Companies to Work For®
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee
- *Crain's List* Chicago's Largest Privately Held Companies: ranked #234

- 2016 US SMB Champions Club Heartland Influencer Partner of the Year, Microsoft's US Small and Mid-sized Business (SMB) Champions Club
- *Inc. 5000*: ranked #4613
- Boston's 101 Best and Brightest Companies to Work For®

- Chicago Tribune's Top Workplaces

## 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 2014, Sikich LLP received its 9th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.

## MICROSOFT PARTNER

Sikich has earned a Microsoft ERP Gold competency; ranked among the top one percent of all Microsoft Dynamics partners worldwide; and carries the following certifications:

Gold

**Microsoft Partner**



2017/2018  
**INNER CIRCLE**  
*for Microsoft Dynamics*

- **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*



### PRIMEGLOBAL

PrimeGlobal is one of the top five largest associations of independent accounting firms in the world, providing a wide range of tools and resources to help member firms furnish superior accounting, auditing, and management services to clients around the globe.



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**Chicago -  
Wacker Drive**  
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**St. Louis, MO**  
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**WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION  
MADISON, WISCONSIN**

**SINGLE AUDIT REPORT**

For the Year Ended  
June 30, 2017



**Sikich<sup>®</sup>**

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
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Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

**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, 2017, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements, and have issued our report thereon dated October 27, 2017.

**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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2017-001 that we consider to be a significant deficiency.

## **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*.

## **WEDC's Responses to Findings**

WEDC's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. WEDC's responses were not subjected to the auditing procedures applied in the audit and, accordingly, we express no opinion on them.

## **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 27, 2017



262.754.9400 // www.sikich.com

13400 Bishops Lane, Suite 300  
Brookfield, Wisconsin 53005

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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, 2017. 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, 2017.

### **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 or significant deficiencies. However, material weaknesses or significant deficiencies 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, 2017, and the related notes to the financial statements, which collectively comprise WEDC's basic financial statements. We have issued our report thereon dated October 27, 2017, 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 27, 2017

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2017

<u>Agency / Pass through Agency / Federal Program Title / Local Program Title</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
<b><u>US Department of Defense - Office of Economic Adjustment</u></b>		
State of Wisconsin (DIA) - Economic Adjustment Assistance	12.617*	\$ 410,391
<b><u>Small Business Administration</u></b>		
State Trade Expansion Program		
STEP 2015	59.061	201,336
STEP 2016	59.061	<u>163,983</u>
Total State Trade Expansion Program		<u>365,319</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ <u>775,710</u></b>

\* Denotes Major Federal Program



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS**

For the Year Ended June 30, 2017

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**Note 1 - Basis of Presentation**

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

**Note 2 - Significant Accounting Policies**

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

**Note 3 - Subrecipients**

Of the federal expenditures presented in this schedule, WEDC provided federal awards to subrecipients from the DOD Grant program (CFDA #12.617) in the amount of \$126,852.

**Note 4 - Other Information**

WEDC did not receive or provide any federal insurance, free rent, or noncash assistance during the year ended June 30, 2017.

**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, 2017

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?

  X   yes        none reported

Noncompliance material to financial statements noted?

       yes   X   no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

       yes   X   no

Significant deficiency(ies) identified?

       yes   X   none reported

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

*Unmodified*

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

       yes   X   no

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

12.617

Economic Adjustment Assistance for State Governments

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

       yes   X   no

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2017

---

**Section II - Financial Statement Findings**

**2017-001: User Access - Significant Deficiency**

*Criteria:* User access rights should be setup and restricted so that proper segregation of duties between functions and job duties are in place.

*Condition:* We noted several individuals with administrator access rights, allowing them full access to all functions in the payroll software system.

*Context:* During our audit, we reviewed access rights in WEDC's payroll software system for proper segregation of duties.

*Effect:* Fictional employees or transactions could be created without being prevented or detected on a timely manner.

*Cause:* WEDC switched payroll providers during fiscal year 2017 and did not properly set up or review user access rights in the process.

*Recommendation:* 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. In addition, 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.

*Views of Responsible Officials:* Management agrees with the single audit finding and a response is included in the corrective action plan.

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

None.

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

None.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

For the Year Ended June 30, 2017

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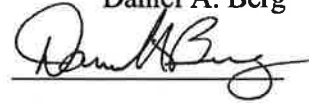
**Section V - Other Issues**

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

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

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

Name and Signature of Partner

Daniel A. Berg  


Date of Report

October 27, 2017



## WEDC SINGLE AUDIT RESPONSE – FY2017

### **2017-001: User Access - Significant Deficiency (From Single Audit)**

*Criteria:* User access rights should be setup and restricted so that proper segregation of duties between functions and job duties are in place.

*Condition:* We noted several individuals with administrator access rights, allowing them full access to all functions in the payroll software system.

*Views of Responsible Officials:* Management agrees with the single audit finding and a response is included in the corrective action plan.

### **WEDC Corrective Action Plan**

In Fiscal Year 2017, WEDC moved to a new payroll software system, PDS. The “full system administration” rights associated with PDS are broken down into two roles; 1) System Administrator and 2) Company Administrator. The System Administrator has the ability to change security settings within the system and is maintained by PDS. Any changes to those settings requires the Vice President of Human Resources approval. WEDC management recommends that the System Administrator role and approval process should not change.

The Company Administrator has the ability to create, edit, and terminate employees, as well as monitor other company administrator account actions. This access was previously provided to 5 individuals; the Vice President of Human Resources, the Payroll & Benefits Specialist, the Human Resources Assistant, the Controller, and the Vice President of Information Technology. WEDC will now limit the Company Administrator access to two individuals/roles; the Payroll & Benefits Specialist and the Human Resources Assistant (as backup).

In addition, for control purposes, the Vice President of Human Resources will continue to receive bi-weekly reporting in an email directly from PDS to include the payroll register, a change report showing all hires, terminations, and pay changes, as well as an employee listing. These reports will be reviewed bi-weekly for accuracy, signed by the Vice President of Human Resources, and maintained in the Vice President of Human Resources office. The Vice President of Human Resources and the Chief Financial Officer also reviews, and approves, payroll for each bi-weekly period.

### **Responsible person for corrective action plan:**

Chief Financial Officer



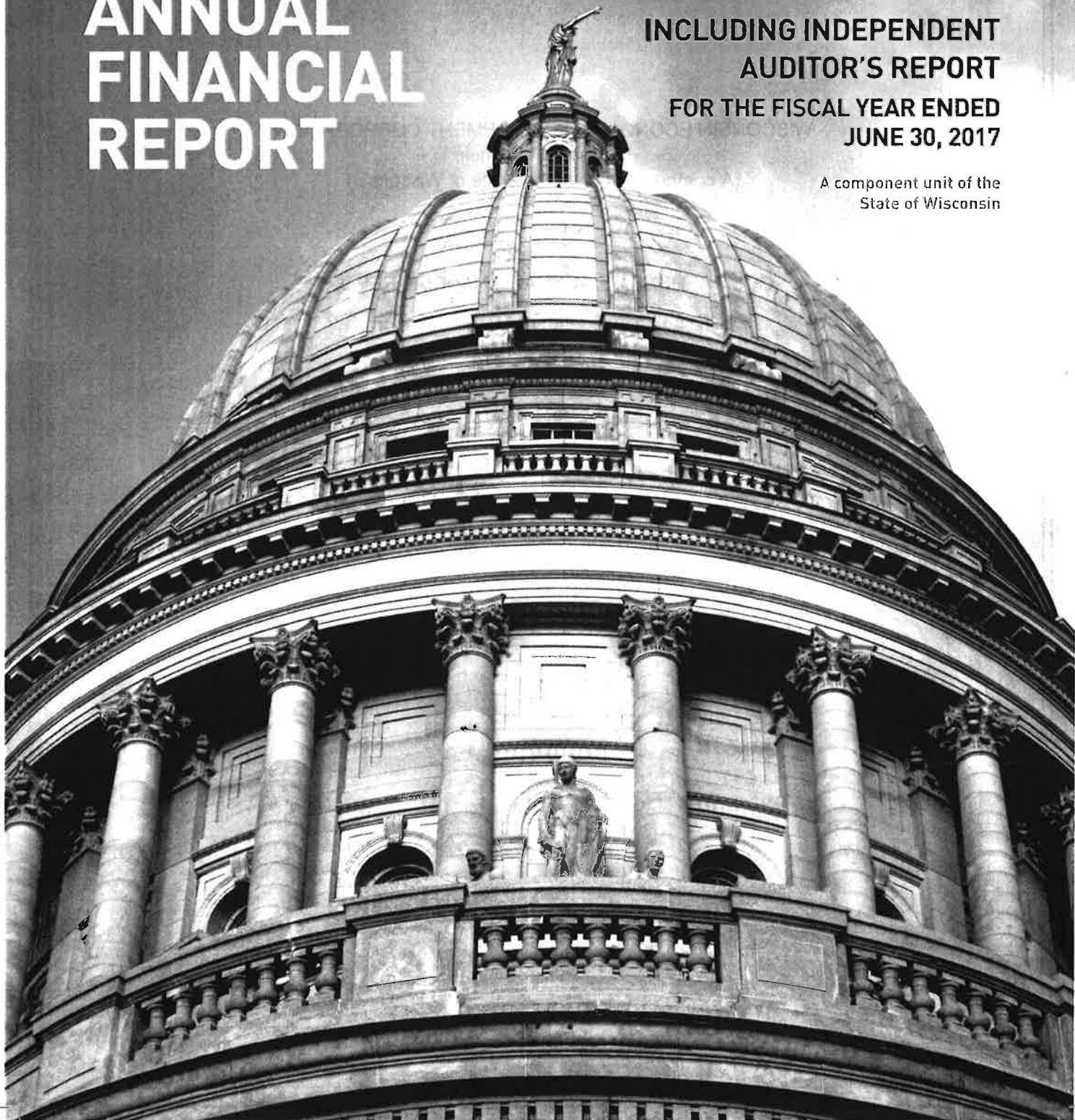


WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

INCLUDING INDEPENDENT  
AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017

A component unit of the  
State of Wisconsin



**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, 2017**

**Prepared by:**

**The Dedicated Staff of WEDC's Finance Division**



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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
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**As of and For the Year Ended June 30, 2017**

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
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# INTRODUCTION

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October 27, 2017

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,  
2017, is herein submitted.

Management assumes full responsibility for the completeness and  
reliability of the information presented in this report based upon 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, 2017. 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  
government agencies 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 fiscal year 2017, WEDC expanded its long-range planning process by reaching out, and working with, our key strategic partners to align our organization's efforts with our partners to advance and maximize Wisconsin's opportunities for people, businesses and communities.

WEDC and its partners were able to establish shared goals in key areas that are critical to the state's economic future, including talent retention, attraction and development, entrepreneurship, globalization, productivity, and rural economic development. Shared goals that will require WEDC and our partners to all play a role to effect change.

WEDC plans to continue working with our partners in fiscal year 2018 to further develop these goals as we also continue to work with our Board of Directors, staff, and stakeholders to improve our operational efficiency and effectiveness.

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

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Wisconsin Economic  
Development Corporation**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

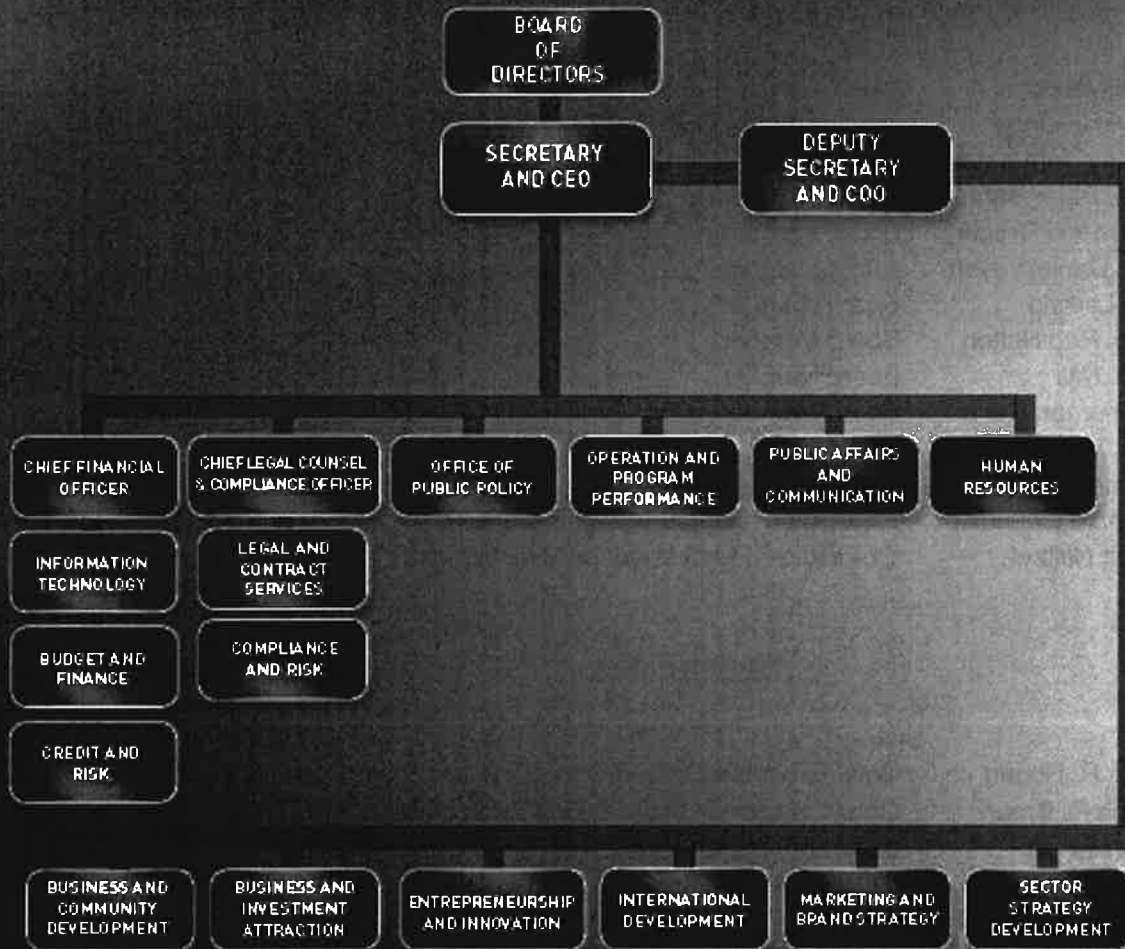
**June 30, 2016**

Executive Director/CEO





# ORGANIZATIONAL CHART



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## Directory of Officials

---

### Board of Directors

Lisa Mauer	Chair
David J. Drury	Treasurer
Nancy Hernandez	Vice Chair & Secretary
Rep. Peter Barca	Board Member
Raymond Dreger	Board Member
Sen Daniel Feyen	Board Member
Jim Ladwig	Board Member
Rep. Rob Hutton	Board Member
R.D. Nair	Board Member
C.Thomas Sylke	Board Member
Sen Tim Carpenter	Board Member
Vacant	Board Member
Richard Chandler	Ex-Officio – Department of Revenue
Scott Neitzel	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 & Compliance Officer
Brian Nowicki	Chief Financial Officer
Amy Young	Office of Public Policy – Senior Director
Mark Maley	Public Affairs & Communication – Director
Joshua Robbins	Vice President of Technology & Information Systems
Aaron Hagar	Vice President of Entrepreneurship & Innovation
Barb La Mue	Vice President of Economic & Community Development
Vacant	Vice President,of Sector Strategy Development
Kelly Lietz	Vice President of Marketing & Brand Strategy
Katy Sinnott	Vice President of International Development
Anne Jesko	Vice President of Human Resources

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A black and white photograph of the Wisconsin State Capitol building. The central focus is the large, ornate dome topped with a statue of Liberty. The building's facade features classical architectural elements like columns and a pediment. Bare tree branches are visible in the upper left corner. The text "FINANCIAL SECTION" is overlaid in a bold, white, sans-serif font across the middle of the image.

# FINANCIAL SECTION



262.754.9400 // [www.sikich.com](http://www.sikich.com)

13400 Bishops Lane, Suite 300  
Brookfield, Wisconsin 53005

**Certified Public Accountants & Advisors**  
*Members of American Institute of Certified Public Accountants*

## **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, 2017, 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. 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, 2017, and the changes in financial position and the respective budgetary comparison statement for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of WEDC's proportionate share of the net pension liability (asset), and the schedule of WEDC contributions to the WRS 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, 2016, 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, 2016 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 2016 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, 2016 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.

*Sikich LLP*

Brookfield, Wisconsin  
October 27, 2017

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

**As of and For the Year Ended June 30, 2017**

**(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 2017 were:

- Unrestricted Net Position decreased by \$4.0 million.
- Total Assets decreased by \$5.5 million.
- Total Liabilities decreased by \$2.0 million

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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



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## GOVERNMENT-WIDE - STATEMENT OF NET POSITION

The following table summarizes WEDC's Statements of Net Position from 2016 and 2017.

	Governmental activities			
	2016	2017	Change	% Chg
Current and other assets	\$ 115,540	\$ 110,179	\$ (5,361)	-4.64%
Capital assets	1,112	934	(178)	-15.98%
Total assets	116,652	111,113	(5,539)	-4.75%
Deferred outflows of resources	3,987	3,231	(756)	-18.96%
Long-term debt	2,534	1,535	(999)	-39.43%
Other liabilities	8,782	7,452	(1,330)	-15.14%
Total liabilities	11,316	8,987	(2,329)	-20.58%
Deferred inflows of resources	1,852	1,907	55	2.98%
Net investment in capital assets	1,112	934	(178)	-15.98%
Restricted	30,075	41,739	11,664	38.78%
Unrestricted	76,284	60,777	(15,507)	-20.33%
Total net position	\$ 107,471	\$ 103,450	\$ (4,021)	-3.74%

Current and other assets primarily represent cash, investments, receivables, prepaid items, and loans receivable. Total current and other assets decreased by \$5.4 million, due mainly to a decrease in loans receivable of \$4.1 million and a decrease in cash, cash equivalents, and investments of \$1.0 million. WEDC has two loan programs that exist to help new businesses grow and existing businesses expand. During the fiscal year, WEDC paid out approximately \$10.0 million in loan awards, received \$8.7 million in loan repayments, forgave \$3.2 million in principal balance for loans that met contracted criteria for forgiveness, wrote off \$0.8 million in principal balance, and added \$1.3 million in loan loss reserves.

Capital assets and long term debt are described in more detail in those sections of this report.

Deferred outflows of resources have decreased by \$756,000 and deferred inflows of resources have increased by \$55,000, and are a direct result of our annual pension accrual. In addition, WEDC is reporting a pension liability of \$402,113 as of June 30, 2017. For additional information on the pension plan, see pages 44-49.

Other liabilities include accounts payable, accrued payroll, payroll liabilities, pension liability, and accruals for awards not yet disbursed. The majority of the balance consists of an accrual for unpaid program awards and pension liability.

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. 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. Unrestricted net position is comprised primarily of commitments made to its economic development programs and awards, and its long-term receivables, which consists mainly of loans.

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 a contract has not yet been executed (signed) by the awardee and WEDC.

Unrestricted net position decreased \$15.5 million from the previous year due primarily to internal process improvement changes that shortened the period between when an award is committed, and therefore assigned as unrestricted, to when the award contract is executed, and therefore restricted for economic development. In addition, WEDC's deficit spending plan for fiscal year 2017 reduced the unrestricted net position by \$4.0 million.

#### **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 2016 and 2017.

	Governmental activities			
	2016	2017	Change	% Chg
<b>Revenues</b>				
<b>Program revenues</b>				
Charges for services	\$ 184	\$ 223	\$ 39	21.2%
Operating grants & contributions	1,393	2,700	1,307	93.8%
<b>General revenues</b>				
Intergovernmental revenues not restricted to specific programs	28,751	34,251	5,500	19.1%
Interest income	1,511	1,822	311	20.6%
Miscellaneous	380	702	322	84.7%
<b>Total Revenues</b>	<b>32,219</b>	<b>39,698</b>	<b>7,479</b>	<b>23.2%</b>
<b>Expenses</b>				
General administration	7,854	8,369	515	6.6%
Marketing & brand strategy	4,107	4,095	(12)	-0.3%
Economic development	36,908	31,133	(5,775)	-15.6%
Interest and fiscal charges	146	121	(25)	-17.1%
<b>Total Expenses</b>	<b>49,015</b>	<b>43,718</b>	<b>(5,297)</b>	<b>-12.1%</b>
<b>Total Change in Net Position</b>	<b>(16,796)</b>	<b>(4,020)</b>	<b>12,776</b>	<b>-76.1%</b>
Net position - beginning of year	124,267	107,471		
Net position - end of year	\$ 107,471	\$ 103,451		

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

Charges for services increased by \$40,000 due primarily to increases in bond servicing fees, as demand for allocations of tax-exempt industrial revenue bonds has started to increase as interest rates begin to rise.

Operating grants and contributions increased by \$1.3 million due primarily to an increase in demand for U.S. Treasury's State Small Business Credit Initiative (SSBCI) grant, which is used as a funding source for WEDC's technology development loan program. In addition, increases in grant activity for the Small Business Administration's State Trade and Export Promotion (STEP) grant program and the Department of Defense grant have resulted in program revenues exceeding fiscal year 2016 levels.

Intergovernmental revenues not restricted to specific programs increased \$5.5 million as revenue from the state was increased, as outlined in the State's biennial budget for fiscal year 2017-18.

Interest income increased \$312,000 due to an increase in accrued loan interest.

Miscellaneous revenues increased \$322,000, 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 increased \$515,000 due primarily to an increase in WEDC's pension expense. For additional information on the pension plan, see pages 44-49.

Marketing and communication expenses decreased \$12,000 as we held expenses close to fiscal year 2016 levels.

Economic development expenses, which include all of WEDC's direct award program expenses, decreased \$5.8 million as WEDC experienced a decrease in cash disbursements on its award contracts from both current fiscal year contracts, as well as prior fiscal year contracts that had remaining award balances. This decrease was partially offset by decreases in loan loss reserves from fiscal year 2016.

Interest and fiscal charges decreased by \$25,000 as the interest on WEDC's portion of the State's pension bond liability was lower than in fiscal year 2016.

#### **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 22 and 24 of this report.

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

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

## **GENERAL FUND – FUND BALANCE**

At year end, WEDC's total fund balance was \$103.7 million. Total fund balance decreased in fiscal year 2017 to fund the deficit spending plan for fiscal year 2017. 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.

Non-spendable fund balance of \$39.0 million 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.

Restricted fund balance of \$41.7 million 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.

Assigned fund balance of \$19.7 million primarily represents WEDC's funds available for future program use, and open economic development award commitments at June 30, 2017.

Unassigned fund balance of \$3.3 million is an operating reserve and represents two months, or one sixth, of WEDC's annual administrative costs.

## **GENERAL FUND - BUDGETARY HIGHLIGHTS**

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

	General Fund			
	Final			
	Budget 2017	Actual 2017	Variance with Final Budget	% Chg
<b>REVENUE</b>				
Intergovernmental revenues	\$ 37,713	\$ 36,950	\$ (763)	-2.0%
Charges for services	200	224	24	12.0%
Interest income	2,025	1,822	(203)	-10.0%
Miscellaneous	197	260	63	32.2%
<b>Total Revenues</b>	<b>40,135</b>	<b>39,256</b>	<b>(879)</b>	<b>-2.2%</b>
<b>EXPENDITURES</b>				
Program grants	22,393	15,977	(6,416)	-28.7%
Loan loss reserve	6,175	5,369	(806)	-13.1%
Key strategic partners	3,640	3,499	(141)	-3.9%
Marketing & brand strategy	3,604	3,075	(529)	-14.7%
Payroll and benefits	10,426	10,341	(85)	-0.8%
Operations and general	5,581	4,762	(819)	-14.7%
Capital	115	292	177	153.9%
Debt service	235	203	(32)	-13.6%
<b>Total Expenditures</b>	<b>\$ 52,168</b>	<b>\$ 43,518</b>	<b>\$ (8,650)</b>	<b>-16.6%</b>
<b>Net Change in Fund Balance</b>	<b>\$ (12,033)</b>	<b>\$ (4,262)</b>	<b>\$ 7,771</b>	
<b>FUND BALANCES - BEGINNING OF YEAR</b>		<b>107,944</b>		
<b>FUND BALANCES - END OF YEAR</b>		<b>\$ 103,682</b>		

Revenues – unfavorable variance of \$878,000 due mainly to timing differences of when draws are requested for our federal grant programs. WEDC will be able to draw on these federal grant funds in fiscal year 2018. In addition, investment interest income is lower than fiscal year 2016, as investment interest is net of unrealized losses that have been recorded, as short-term interest rates have started to rise in fiscal year 2017.

Expenditures – favorable variance of \$8.7 million due mainly to:

- o \$6.4 million favorable variance as actual cash disbursements from current and prior year program awards were less than their program budgets (which are based on current year cash disbursements, commitments, and contract activity).
- o \$0.8 million favorable variance related to the recognition of additional loan loss reserves, due primarily to activity in the performance-based loan portfolio.
- o \$0.8 million favorable variance related to general operational expenses, due primarily to savings in professional fees, travel, events and conferences, supplies and equipment, and research and marketing tools.
- o \$0.5 million favorable variance in marketing and brand strategy. The favorable variance is slightly exaggerated, as \$250,000 in expenses were reclassified as capital expenditures, as WEDC is in the process of building a new website for our

Think, Make, Happen campaign. The remaining favorable variance was due primarily to savings in sponsorships and events and conferences.

Changes in Fund Balance – favorable variance of \$7.8 million. For fiscal year 2017 the fund balance was reduced by \$4.2 million. While this represents a \$7.8 million favorable variance when compared to the budgeted \$12.0 million deficit, the \$4.2 million reduction in fund balance also represents the net effect of WEDC’s plan to use available fund balances to fund the deficit spending plan for the year.

Fiscal Year 2017 Program Activity - For fiscal year 2017, we have seen solid demand for our programs, and at year-end we have committed or contracted for \$31.5 million in grants, loans, and key strategic partnerships. Compared to our budgeted goal of \$35.5 million, this represents a 89% placement rate for fiscal year 2017 funds.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 28-52 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 page 54.

**CAPITAL ASSETS**

WEDC’s capital asset activity for 2016 and 2017 is summarized below.

Description	Governmental Activities	
	2016	2017
Software	\$ 1,955,697	\$ 1,874,869
Furniture and fixtures	145,800	145,800
Leasehold improvements	409,244	409,244
Vehicles	154,432	148,577
Total Capital Assets	2,665,173	2,578,490
Less accumulated depreciation	(1,552,691)	(1,644,141)
Capital assets, net of depreciation	\$ 1,112,482	\$ 934,349

Capital assets decreased from the previous year due to depreciation and asset sales and retirements exceeding capital asset purchases. Significant projects undertaken during the year include a build out of a new Think, Make, Happen website, which is expected to be launched in the 3<sup>rd</sup> quarter of fiscal year 2018.

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

**LONG-TERM DEBT**

WEDC does not have a debt limit. The only significant change in WEDC’s long term obligations was related to our note payable to the State. This note is recalculated annually based on WEDC’s retirement contributions as compared to the retirement contributions of all State agencies. This percentage is then applied to the total outstanding bonds that were issued for the payment of the prior service pension cost liability. The change in WEDC’s share of these obligations is reported as an addition or deletion to the outstanding balance annually. For fiscal year 2017, this resulted in a change of \$496,923. Other changes in long-term debt relate to scheduled payments.

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
Compensated absences	508,608	609,024
Notes payable - State of Wisconsin	2,630,967	2,134,044
Total	<u>\$3,139,575</u>	<u>\$2,743,068</u>

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

**REQUESTS FOR INFORMATION**

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

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



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

STATEMENT OF NET POSITION  
As of June 30, 2017

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,228,387
Investments	50,676,979
Accounts receivable	822,508
Accrued interest on investments	111,358
Prepaid items	446,789
Loans receivable (net of allowances of \$32,024,550)	38,544,542
Interest on loans receivable (net of allowances of \$2,554,662)	1,348,083
Capital assets	
Other capital assets, net of depreciation	934,349
<b>Total Assets</b>	<b>111,112,995</b>
Deferred outflow of resources	
Difference between expected and actual experience	153,326
Pension investment income	2,398,064
Changes of actuarial assumptions	420,425
Contributions subsequent to measurement date	259,187
<b>Total deferred outflows of resources</b>	<b>3,231,002</b>
<b>LIABILITIES</b>	
Accounts payable	2,815,175
Accrued liabilities	3,025,904
Noncurrent Liabilities	
Due within one year	1,208,337
Due in more than one year	1,534,731
Net pension liability	402,113
<b>Total Liabilities</b>	<b>8,986,260</b>
Deferred inflows of resources	
Differences between projected and actual experiences	1,264,611
Differences between projected and actual earnings on pension plan investment	396,473
Changes in proportionate share	246,175
<b>Total deferred inflows of resources</b>	<b>1,907,259</b>
<b>NET POSITION</b>	
Net investment in capital assets	934,349
Restricted for:	
Economic development	37,807,801
Brownfield site assessments	1,891,533
SSBCI	2,039,492
Unrestricted	60,777,303
<b>Total Restricted</b>	<b>40,738,826</b>
<b>Total NET POSITION</b>	<b>\$ 103,450,478</b>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General administration	\$ 8,369,482	\$ 223,762	\$ 43,922	\$ (8,101,798)
Marketing & brand strategy	4,095,388	-	-	(4,095,388)
Economic development	31,132,493	-	2,655,888	(28,476,605)
Interest and fiscal charges	121,250	-	-	(121,250)
<b>Total Governmental Activities</b>	<u>\$ 43,718,613</u>	<u>\$ 223,762</u>	<u>\$ 2,699,810</u>	<u>(40,795,041)</u>
<b>General Revenues</b>				
Intergovernmental revenues not restricted to specific programs				
State general purpose revenues				12,474,700
Segregated funds				21,776,000
Interest income				1,822,528
Miscellaneous				701,616
<b>Total General Revenues</b>				<u>36,774,844</u>
<b>Change in Net Position</b>				(4,020,197)
<b>NET POSITION - BEGINNING OF YEAR</b>				<u>107,470,675</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 103,450,478</u>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017**

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,228,387
Investments	50,676,979
Accounts receivable	822,508
Accrued interest on investments	111,358
Prepaid items	446,789
Loans receivable (net of allowances of \$32,024,550)	38,544,542
Interest on loans receivable (net of allowances of \$2,554,662)	1,348,083
<b>TOTAL ASSETS</b>	<b>\$ 110,178,646</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 2,747,577
Accrued awards	2,841,476
Accrued wages	219,641
Payroll related liabilities	67,598
<b>Total Liabilities</b>	<b>5,876,292</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	619,957
<b>Total Deferred Inflows of Resources</b>	<b>619,957</b>
<b>FUND BALANCES</b>	
Nonspendable - prepaids	446,789
Nonspendable - long-term receivables	38,544,542
Restricted for	
Economic development	37,807,801
Brownfield site assessment	1,891,533
SSBCI	2,039,492
Assigned for	
Loan guarantees	571,867
Compensated absences	609,024
Note payable to State of Wisconsin	2,134,044
Open commitments	650,000
Programs FY18	15,728,096
Unassigned	3,259,209
<b>Total Fund Balances</b>	<b>103,682,397</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 110,178,646</b>

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, 2017**

Fund balances - total governmental funds		\$ 103,682,397
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	1,874,869	
Furniture and fixtures	145,800	
Leasehold improvements	409,244	
Vehicles	148,577	
Less: accumulated depreciation	<u>(1,644,141)</u>	
Total adjustment for capital assets		934,349
Deferred outflows related to pensions are not current finance resources and, therefore, are not reported in the government funds		3,231,002
Deferred inflows related to pensions are not current finance resources and, therefore, are not reported in the government funds		(1,907,259)
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.		619,957
Net pension liability are not current financial resources and, therefore, are not reported in the government funds		(402,113)
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	(609,024)	
Compensated absences included in the fund financial statements	<u>35,213</u>	
Net adjustment for compensated absences		(573,811)
Notes payable to State		<u>(2,134,044)</u>
Total adjustment for long-term obligations		<u>(2,707,855)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 103,450,478</u></b>

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, 2017

---

	<u>General</u>
<b>REVENUES</b>	
Intergovernmental	\$ 36,950,510
Charges for services	223,762
Interest income	1,822,528
Other revenues	259,666
Total Revenues	<u>39,256,466</u>
<b>EXPENDITURES</b>	
Current	
General administration	7,882,348
Marketing & brand strategy	3,806,912
Economic development	31,334,435
Capital Outlay	291,761
Debt Service	
Principal retirement	81,424
Interest and fiscal charges	121,250
Total Expenditures	<u>43,518,130</u>
<b>Net Change in Fund Balance</b>	(4,261,664)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>107,944,061</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 103,682,397</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, 2017

Net change in fund balances - total governmental funds	\$ (4,261,664)
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	(446,944)
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	302,819
Depreciation is reported in the government-wide statements	(480,952)
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	441,950
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	415,499
Principal repaid	81,424
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	(72,328)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (4,020,197)</b>

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, 2017

(continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental				
Federal SSBCI	\$ 1,500,000	\$ 1,500,000	\$ 1,328,228	\$ (171,772)
Federal - STEP Grant	382,600	492,376	123,628	(368,748)
Federal - DOD Grant	435,000	435,000	213,007	(221,993)
State general purpose revenue (GRP)	12,474,700	12,474,700	12,474,700	-
State economic development fund (SEG)	21,776,000	21,776,000	21,776,000	-
State brownfield site assessment	1,000,000	1,000,000	1,000,000	-
Other intergovernmental revenues	40,000	35,000	34,947	(53)
Total Intergovernmental	<u>37,608,300</u>	<u>37,713,076</u>	<u>36,950,510</u>	<u>(762,566)</u>
Charges for Services				
Bond Servicing Fees	40,000	40,000	53,772	13,772
Tax Transfer Fees	35,000	70,000	81,960	11,960
Loan origination fees	90,000	90,000	88,030	(1,970)
Total Charges for Services	<u>165,000</u>	<u>200,000</u>	<u>223,762</u>	<u>23,762</u>
Interest Income				
Interest on loans	1,000,000	1,675,047	1,665,556	(9,491)
Interest on investments	350,000	350,000	156,972	(193,028)
Total Interest Income	<u>1,350,000</u>	<u>2,025,047</u>	<u>1,822,528</u>	<u>(202,519)</u>
Other Revenues				
Sponsorship contributions	40,000	62,000	65,075	3,075
Miscellaneous revenue	100,950	134,695	194,591	59,896
Total Other Revenues	<u>140,950</u>	<u>196,695</u>	<u>259,666</u>	<u>62,971</u>
<b>TOTAL REVENUES</b>	<u>39,264,250</u>	<u>40,134,818</u>	<u>39,256,466</u>	<u>(878,352)</u>
<b>EXPENDITURES</b>				
General Administration				
Legal services & compliance	980,415	1,037,342	1,002,658	34,684
Executive office	1,772,347	1,656,360	1,739,858	(83,498)
Human resources	1,248,104	1,292,247	1,139,335	152,912
Finance	782,502	710,584	668,099	42,485
Technology & information systems	2,378,810	2,389,227	1,990,915	398,312
Credit and risk	1,015,109	907,936	870,095	37,841
Office of public policy	515,281	502,427	513,092	(10,665)
Total General Administration	<u>8,692,568</u>	<u>8,496,123</u>	<u>7,924,052</u>	<u>572,071</u>
Marketing & brand strategy	<u>4,158,825</u>	<u>4,302,414</u>	<u>4,056,969</u>	<u>245,445</u>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

For the Year Ended June 30, 2017

(concluded)

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Economic Development</b>				
Entrepreneurship and innovation	\$ 7,396,866	\$ 7,624,063	\$ 8,837,787	\$ (1,213,724)
Business and community development	18,158,546	20,880,074	15,271,962	5,608,112
Business & investment attraction	964,583	836,907	731,624	105,283
Sector strategy development	7,097,949	6,600,270	4,184,020	2,416,250
International business development	3,486,515	3,192,990	2,309,042	883,948
<b>Total Economic Development</b>	<u>37,104,459</u>	<u>39,134,304</u>	<u>31,334,435</u>	<u>7,799,869</u>
<b>Debt Service</b>				
Principal retirement	22,000	85,000	81,424	3,576
Interest and fiscal charges	95,000	150,000	121,250	28,750
<b>Total Debt Service</b>	<u>117,000</u>	<u>235,000</u>	<u>202,674</u>	<u>32,326</u>
<b>TOTAL EXPENDITURES</b>	<u>50,072,852</u>	<u>52,167,841</u>	<u>43,518,130</u>	<u>8,649,711</u>
<b>Net Change in Fund Balance</b>	<u>\$ (10,808,602)</u>	<u>\$ (12,033,023)</u>	<u>(4,261,664)</u>	<u>\$ 7,771,359</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>			<u>107,944,061</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 103,682,397</u>	

See accompanying notes to financial statements



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2017

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# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accounting policies of Wisconsin Economic Development Corporation (WEDC), Wisconsin 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, 2017

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 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 yearend). 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, 2017

The preparation of financial statements in conformity with generally accepted accounting principles require 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, 2017

**4. Capital Assets**

Capital assets, which include software and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the government 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 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. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to 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. Pension related deferred charged on refunding are reported in the government-wide financial statement of net position.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

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 position 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 funds 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. Pension related deferred charged on refunding is reported in the government-wide financial statement of net position.

### **7. *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.

### **8. *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.

### **9. *Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. Claims and judgments are recorded in the governmental fund financial statements as expenditures only if they are due and payable.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

### **10. 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 do 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. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned.

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

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 which established an assignment of fund balance to fund outstanding loan guarantees should they become payable by WEDC. This policy also stipulates that on June 30<sup>th</sup> of each fiscal year unassigned fund balances of annual administrative expenses will equal one sixth of the annual administrative expenditures. The delegated authority to WEDC's Chief Executive Officer and Chief Financial Officer to establish other assignments.

- **Unassigned** – fund balance is the residual classification for the General Fund. Amounts over the calculated number will be assigned to next years' budgeted programmatic expenditures.

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



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

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

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

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

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

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

Excess of expenditures over appropriations are as follows:

Fund	Final Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Fund			
Executive office	\$ 1,656,360	\$ 1,739,858	\$ (83,498)
Office of public policy	502,427	513,092	(10,665)
Entrepreneurship and innovation	7,624,063	8,837,787	(1,213,724)

The Entrepreneurship and Innovation Division exceeded its budget by \$1.2 million, as a result of two factors. First, there was an increase in bad debt expense of \$1.1 million, due primarily to activity in its collectible loan portfolio. Second, there is a timing difference when program award expenses are recognized and cash disbursed, and when program awards are committed. For Fiscal Year 2017, WEDC had seen \$0.1 million more in cash disbursements (from current and prior year awards) than budgeted commitments in the current year.

Office of Public Policy Division exceeded its budget due to an increase of travel expenditures related to federal grants.

Executive Office Division exceeded its budget due to an increase of travel expenditures.

The excess of expenditures over appropriations were financed with current year revenue sources and available fund balances.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2017

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	\$ 4,836,889	\$ 4,211,551	Custodial credit risk
Money market	14,016,836	14,016,836	Custodial credit risk
US Agency	45,697,779	45,697,779	Custodial credit, credit, concentration of credit, and interest rate risk
Commercial Paper	4,979,200	4,979,200	Custodial credit, credit, concentration of credit, and interest rate risk
Total	\$69,530,704	\$68,905,366	

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

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

- a. Checking and saving 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 if 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.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

### ***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 also has a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$10,000,000 to collateralize the demand deposits at WEDC's primary bank. Collateral agreements are to prohibit the release of pledged assets without WEDC's authorization, however substitution of like collateral (valued and type) is allowed.

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

#### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2017, \$50.7 million of uninsured investment securities are held at the custodian bank in book-entry form registered in the name of WEDC.

#### **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**  
As of and For the Year Ended June 30, 2017

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	\$ 1,508,667	\$ 2,447,412	\$ 10,312,683	\$ 3,681,468	\$ -	\$ 17,950,230
Federal National Mortgage Association	-	3,476,655	5,555,533	-	-	9,032,188
Federal Home Loan Mortgage Corporation	-	5,272,983	2,970,250	-	-	8,243,233
Municipal Issue	-	351,099	-	224,462	-	575,561
US Treasury	-	995,630	8,900,937	-	-	9,896,567
Commercial Paper	4,979,200	-	-	-	-	4,979,200
<b>Total</b>	<b>\$ 6,487,867</b>	<b>\$ 12,543,779</b>	<b>\$ 27,739,403</b>	<b>\$ 3,905,930</b>	<b>\$ -</b>	<b>\$ 50,676,979</b>

**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	AA+/Aaa	AA/Aa2
	or higher		
Federal Home Loan Bank	\$ -	\$ 14,268,762	\$ -
Federal National Mortgage Association	-	9,032,188	-
Federal Home Loan Mortgage Corporation	-	8,243,233	-
Municipal Issue	-	-	575,561
US Treasury	-	13,578,035	-
Commercial Paper	4,979,200	-	-
<b>Total</b>	<b>\$ 4,979,200</b>	<b>\$ 45,122,218</b>	<b>\$ 575,561</b>

**Concentration of Credit Risk**

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, 2017

**Fair Value Measurement**

WEDC categorized its fair value measurements within the fair value hierarchy established by GAAP. 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, 2017:

Investment	Level 1	Level 2	Level 3
US Government Issues	\$ 13,578,035	\$ 31,544,183	\$ -
Commercial Paper	-	4,979,200	-
Municipal Issue	-	575,561	-
Total Assets	\$ 13,578,035	\$ 37,098,944	\$ -

U.S. Treasury securities of \$13.6 million are valued using quoted market prices of these assets (Level 1 inputs).

Government Sponsored Entity (GSE) securities, which include FHLB, FNMA, and FHLMC, of \$31.5 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).

Municipal 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, \$619,957 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.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2017

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, 2017 is as follows:

	Repayable Loans	Performance Based Loans	Total
Loans receivable	\$ 49,523,692	\$ 21,045,400	\$ 70,569,092
Allowance for uncollectible	(10,979,150)	-	(10,979,150)
Allowance for performance based loans	-	(21,045,400)	(21,045,400)
Net loans receivable	<u>\$ 38,544,542</u>	<u>\$ -</u>	<u>\$ 38,544,542</u>
Interest receivable	\$ 1,831,198	\$ 2,071,546	\$ 3,902,744
Allowance for uncollectible	(483,115)	-	(483,115)
Allowance for performance based loans	-	(2,071,546)	(2,071,546)
Net interest receivable	<u>\$ 1,348,083</u>	<u>\$ -</u>	<u>\$ 1,348,083</u>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

Capital Assets	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated				
Software	\$ 1,955,697	\$ 250,057	\$ 330,885	\$ 1,874,869
Furniture and Fixtures	145,800	-	-	145,800
Leasehold Improvements	409,244	-	-	409,244
Vehicles	154,432	52,762	58,617	148,577
Total Capital Assets Being Depreciated	<u>2,665,173</u>	<u>302,819</u>	<u>389,502</u>	<u>2,578,490</u>
Less: Accumulated Depreciation for				
Software	987,998	364,416	330,885	1,021,529
Furniture and Fixtures	145,800	-	-	145,800
Leasehold Improvements	283,975	100,693	-	384,668
Vehicles	134,918	15,843	58,617	92,144
Total Accumulated Depreciation	<u>1,552,691</u>	<u>480,952</u>	<u>389,502</u>	<u>1,644,141</u>
Total Capital Assets	<u>\$ 1,112,482</u>	<u>\$ (178,133)</u>	<u>\$ -</u>	<u>\$ 934,349</u>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**  
As of and For the Year Ended June 30, 2017

Depreciation expense was charged to functions as follows:

Depreciation	
General Administration	\$ 105,523
Marketing & brand strategy	197,415
Business & community development	11,013
Technology & information systems	167,001
Total Depreciation Expense	<u>\$ 480,952</u>

**D. LONG-TERM OBLIGATION**

Long-term obligations activity for the year ended June 30, 2017 was as follows:

Long-Term Obligation	Balance	Additions	Deletions	Balance	Current	Long-Term
Compensated absences	\$ 508,608	\$ 919,726	\$ 819,310	\$ 609,024	\$ 28,088	\$ 580,936
Note payable - State of Wisconsin	2,630,967	(415,499)	81,424	2,134,044	599,313	1,534,731
Total Long-Term Obligations	<u>\$ 3,139,575</u>	<u>\$ 504,227</u>	<u>\$ 900,734</u>	<u>\$ 2,743,068</u>	<u>\$ 627,401</u>	<u>\$2,115,667</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 five debt issuances, of which two are variable rate instruments. The total outstanding balance of all of these debt issuances was \$1,527,590,000 as of June 30, 2017. 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 is 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 0.1397% as of July 1, 2016, the most recently available period. The liability reported above and estimated repayment schedule shown below has been calculated using this percentage. The actual amounts owed will fluctuate from year to year based on WEDC's retirement contributions compared to the other agencies and the variable interest rate component of some of the debt issuances. Adjustments to the estimated amounts owed are shown as adjustments in the notes payable balance on an annual basis. The table shows the future payments under this obligation as currently calculated.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2017**

Governmental Activities		
Notes Payable		
<u>Year</u>	<u>Principial</u>	<u>Interest</u>
2018	\$ 599,313	\$ 118,964
2019	57,270	89,817
2020	72,323	86,580
2021	50,781	82,340
2022	60,211	79,435
2023 - 2028	862,019	336,078
2029 - 2032	432,127	56,344
	<u>\$2,134,044</u>	<u>\$ 849,558</u>

**E. LEASE DISCLOSURES**

***Lessee - Operating Leases***

WEDC has entered into one long-term lease for office space with Wisconsin Housing and Economic Development Authority. The current contract will be expired in FY 2018. The new contract terms are currently unknown. Following is a schedule of future minimum rental payments required under the terms of the current operating lease.

<u>Year</u>	<u>Future Minimum Rental</u>
2018	\$ 120,412
Total	<u>\$ 120,412</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.

At year-end, all of the businesses were 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 these guarantees. Accordingly, no liability is reported in these financial statements for these guarantees. The table below summarizes the amount of each guarantee along with the final maturity date of the underlying obligation.

<u>Original Guarantee Amount</u>	<u>Remaining Balance Of Guarantee</u>	<u>Guarantee Agreement Date</u>	<u>Date of Final Maturity</u>
\$ 75,000	\$ 10,011	June 29, 2012	June 29, 2017*
320,000	231,856	March 18, 2013	January 15, 2020
330,000	330,000	September 14, 2015	September 14, 2020

\* The award closeout date occurred on July 20, 2017



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

### NOTE IV – Other Information

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

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

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

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

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

### **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
2007	3.0%	10.0%
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%

### **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 \$481,269 in contributions from the employer. Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General, Teachers, Executive & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2017

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

At June 30, 2017, WEDC reported a liability of \$402,113 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the WEDC proportion was 0.04879%, which was an increase of 3.5% from its proportion measured as of December 31, 2015 which was 0.04713%.

For the year ended June 30, 2017, the WEDC recognized pension expense of \$941,509.

At June 30, 2017, 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
Difference between expected and actual experience	\$ 153,326	\$ (1,264,611)
Changes in assumptions	420,425	-
Net differences between projected and actual earnings on pension plan investments	2,398,064	(396,473)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(246,175)
Employer contributions subsequent to the measurement date	<u>259,187</u>	<u>-</u>
Total	<u>\$3,231,002</u>	<u>\$ (1,907,259)</u>

\$259,187 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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to 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, 2017

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$1,036,096	\$ (596,049)
2019	1,036,096	(596,049)
2020	866,649	(553,340)
2021	32,275	(161,496)
Thereafter	699	(326)

**Actuarial Assumptions**

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
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. The assumed annual adjustment is 2.1% based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuations.

**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:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2017

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100%	100%	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 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.10% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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.

**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 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:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2017

	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)	\$ 5,290,055	\$ 402,113	\$ (3,361,824)

*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 17-16.

At June 30, 2017, WEDC has no accrued payable to the defined benefit pension plan.

**B. 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.

**C. 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, \$40,349,334 was reported in total for these contracts, \$39,699,334 as restricted fund balance, and \$650,000 as assigned fund balance.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

### **D. 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. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015 – This statement provides guidance on reporting of postemployment plans other than pensions. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement is effective for fiscal years beginning after June 15, 2017.
- Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016 – This statement addresses 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. This statement is effective for fiscal years beginning after December 15, 2016.
- Statement No. 82 *Pension Issues*, -an amendment of GASB Statements No.67, No. 68, and No. 73., issued March 2016 – This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- 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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

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 postemployment 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 postemployment benefits (pensions and other postemployment 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 amortized cost
  - 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



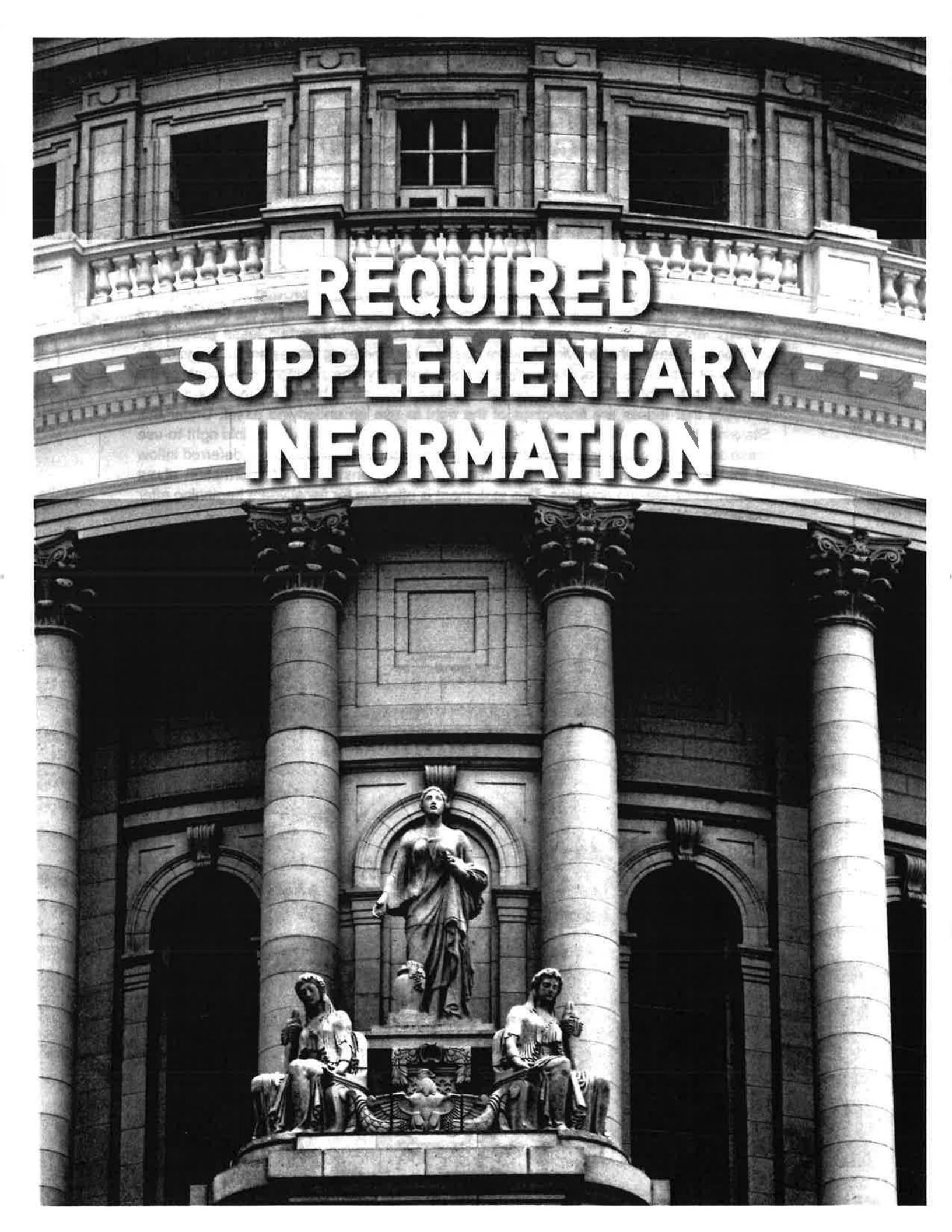
# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

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.

The effective date for each of these 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.

A black and white photograph of a classical building facade. The image shows a curved section of the building with a balcony on the upper level and a series of columns on the lower level. In the center, there is a large statue of a standing female figure, flanked by two seated figures. The text "REQUIRED SUPPLEMENTARY INFORMATION" is overlaid in large, bold, white letters across the middle of the image. The text is slightly shadowed to stand out against the background.

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

\* 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
Contractually required contributions	\$ 460,187	\$ 473,291	\$ 481,269
Contributions in relation to the contractually required contributions	460,187	473,291	481,269
Contributions deficiency (excess)	-	-	-
WEDC's covered-employee payroll	6,574,065	6,960,140	7,291,932
Contributions as a percentage of covered-employee payroll	7.0%	6.8%	6.6%

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

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

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2017**

*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.

A black and white photograph of a grand classical building, likely a government or institutional structure. The building features a large, prominent dome at the top, supported by a series of columns. Below the dome, there are several levels of arches and columns, creating a sense of depth and grandeur. The architecture is highly detailed, with ornate carvings and classical motifs. The sky is visible in the background, showing some light clouds. The overall tone is serious and authoritative.

# 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, 2016 AND 2017

	June 30, 2016	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>					
Intergovernmental	\$ 30,143,899	\$ 37,608,300	\$ 37,713,076	\$ 36,950,510	\$ (762,566)
Charges for services	184,108	165,000	200,000	223,762	23,762
Interest income	1,511,244	1,350,000	2,025,047	1,822,528	(202,519)
Other revenues	270,391	140,950	196,695	259,666	62,971
<b>Total Revenues</b>	<b>32,109,642</b>	<b>39,264,250</b>	<b>40,134,818</b>	<b>39,256,466</b>	<b>(878,352)</b>
<b>EXPENDITURES</b>					
Program grants	18,190,422	22,392,600	22,392,600	15,977,765	6,414,835
Loan loss reserve	4,637,799	2,575,000	2,575,000	4,280,430	(1,705,430)
Loan loss reserve - performance based loans	4,374,037	1,500,000	3,600,000	1,089,006	2,510,994
Key strategic partners	3,567,123	3,615,000	3,640,000	3,499,409	140,591
Promotions	3,173,972	3,478,719	3,604,067	3,074,674	529,393
Payroll and benefits	9,439,874	10,671,170	10,425,500	10,340,618	84,882
Operations and general	3,975,904	5,608,363	5,580,674	4,761,793	818,881
Capital	148,449	115,000	115,000	291,761	(176,761)
Debt service	231,199	117,000	235,000	202,674	32,326
<b>Total Expenditures</b>	<b>47,736,779</b>	<b>50,072,852</b>	<b>52,167,841</b>	<b>43,518,130</b>	<b>8,649,711</b>
<b>Net Change in Fund Balance</b>	<b>\$ (15,629,137)</b>	<b>\$ (10,808,602)</b>	<b>\$ (12,033,023)</b>	<b>(4,261,664)</b>	<b>\$ 7,771,359</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>				<b>107,944,061</b>	
<b>FUND BALANCES - END OF YEAR</b>				<b>\$ 103,682,397</b>	

A black and white photograph of a classical building facade. Two large, fluted columns with ornate Corinthian capitals stand prominently in the foreground. Between the columns is a large arched window with a decorative pediment above it. The building's facade is made of stone blocks, and there are smaller windows visible in the background. The overall style is neoclassical or classical.

# STATISTICAL SECTION

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATISTICAL SECTION

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

Contents	Page
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how WEDC's financial performance and well-being have changed over time.	59 - 62
<b>Revenue Capacity</b> These schedules contain information to help the reader assess WEDC's most significant own-source revenue source, interest on loans	64 - 66
<b>Debt Capacity</b> 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.	67
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which WEDC's financial activities take place.	68 - 69
<b>Operating Information</b> 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.	70 - 74

*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 Six Fiscal Years**

	Fiscal Year					
	(As Restated)					
	2012	2013	2014	2015	2016	2017
<b>Expenses</b>						
General administration	\$13,056,584	\$19,848,912	\$ 6,201,310	\$ 7,621,160	\$ 7,963,400	\$ 8,369,482
Marketing & brand strategy	1,202,147	2,852,310	5,662,794	5,428,254	4,106,688	4,095,388
Economic development	13,056,977	20,820,325	27,750,545	25,148,978	36,907,171	31,132,493
Interest and fiscal charges	67,209	96,700	108,128	224,989	146,109	121,250
<b>Total Government Activities Expenses</b>	<b>27,382,917</b>	<b>43,618,247</b>	<b>39,722,777</b>	<b>38,423,381</b>	<b>49,123,368</b>	<b>43,718,613</b>
<b>Program Revenues</b>						
Charges for services	936,876	818,021	191,796	245,162	184,108	223,762
Operating grants and contributions	46,074,090	5,181,444	1,759,196	2,541,024	1,393,199	2,699,810
<b>Total Governmental Activities Program Revenues</b>	<b>47,010,966</b>	<b>5,999,465</b>	<b>1,950,992</b>	<b>2,786,186</b>	<b>1,577,307</b>	<b>2,923,572</b>
<b>Net (Expense)/Revenue</b>	<b>19,628,049</b>	<b>(37,618,782)</b>	<b>(37,771,785)</b>	<b>(35,637,195)</b>	<b>(47,546,061)</b>	<b>(40,795,041)</b>
<b>General Revenues and Other Changes in Net Position</b>						
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
Interest income	693,739	837,391	1,135,416	1,648,401	1,511,244	1,822,528
Miscellaneous	-	891,168	58,969	195,541	379,681	701,616
<b>Total Governmental Activities General Revenues</b>	<b>55,900,945</b>	<b>56,966,847</b>	<b>41,095,085</b>	<b>60,144,642</b>	<b>30,641,625</b>	<b>36,774,844</b>
<b>Change in Net Position</b>	<b>\$75,528,994</b>	<b>\$19,348,065</b>	<b>\$ 3,323,300</b>	<b>\$24,507,447</b>	<b>\$(16,904,436)</b>	<b>\$ (4,020,197)</b>

**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 Six Fiscal Years**

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	Fiscal Year					
	(As Restated)					
	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>						
Net investment in capital assets	\$ 153,039	\$ 934,111	\$ 1,872,245	\$ 1,501,464	\$ 723,500	\$ 934,349
Restricted	15,249,905	17,984,574	25,471,389	33,799,765	30,074,692	41,738,826
Unrestricted	60,126,050	75,958,374	72,415,740	88,965,592	76,563,193	60,777,303
<b>Total</b>	<b>\$ 75,528,994</b>	<b>\$ 94,877,059</b>	<b>\$ 99,759,374</b>	<b>\$ 124,266,821</b>	<b>\$ 107,361,385</b>	<b>\$ 103,450,478</b>

**Notes:**

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

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

**Sources:**

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

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

**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 Six Fiscal Years**

	Fiscal Year					
	(As Restated) 2012	2013	2014	2015	2016	2017
General Fund						
Nonspendable	\$33,527,569	\$29,573,758	\$35,538,497	\$ 42,556,241	\$ 43,185,830	\$ 38,991,331
Restricted	15,249,905	17,984,574	25,471,389	33,799,765	30,074,692	41,738,826
Assigned	-	13,722,294	21,434,223	45,180,264	31,671,775	19,693,031
Unassigned	28,023,247	34,048,262	15,606,387	2,036,928	3,326,707	3,259,209
Total General Fund	\$76,800,721	\$95,328,888	\$98,050,496	\$123,573,198	\$108,259,004	\$103,682,397

**Notes:**

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**Sources:**

Wisconsin Economic Development Corporation

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

REVENUE CAPACITY  
COLLECTIBLE LOAN BALANCES  
Last Six Fiscal Years

(continued)

Program	Loan	Interest	Loan	Interest	Loan	Interest
	Balance	Rate	Balance	Rate	Balance	Rate
	2012	2012	2013	2013	2014	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%
<b>Total Balance</b>	<b>\$36,685,132</b>		<b>\$38,070,216</b>		<b>\$ 40,527,379</b>	

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**REVENUE CAPACITY  
COLLECTIBLE LOAN BALANCES  
Last Six 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>
Technology business development investments	\$ 18,347,227	4.1%	\$ 18,461,990	4.4%	\$ 18,532,149	4.7%
Business expansion and retention investment	10,574,580	2.0%	6,364,011	2.0%	5,401,631	2.0%
Business opportunity loan fund	13,585,556	2.4%	21,857,415	2.4%	23,277,014	2.4%
Wisconsin energy independence fund	228,388	2.0%	190,334	2.0%	182,189	2.0%
Special Project Fund	500,000	5.0%	786,793	5.0%	752,119	5.0%
Commerce - other	4,103,610	2.2%	2,242,740	2.2%	1,378,590	2.2%
Total Balance	<u>\$ 47,339,362</u>		<u>\$ 49,903,283</u>		<u>\$ 49,523,692</u>	

**Notes:**

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

**Sources:**

Wisconsin Economic Development Corporation

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**REVENUE CAPACITY  
TEN LARGEST LOANS  
Five Years ago and Current Year**

Collectible Loan	Rank	Loan Balance 2012	Percent of Total	Rank	Loan Balance 2017	Percent of Total
SHINE Medical Technologies, Inc.	-	-	-	1	\$ 4,000,000	8.1%
Appleton Coated LLC	-	-	-	2	3,000,000	6.1%
Trilliant Food & Nutrition, LLC	-	-	-	3	2,000,000	4.0%
Russ Davis Wholesale	-	-	-	4	1,757,323	3.5%
Kestrel Aircraft Company	1	\$ 2,000,000	5.5%	5	1,704,310	3.4%
Kestrel Aircraft Company	-	-	-	6	1,698,065	3.4%
Menasha Corporation	-	-	-	7	1,500,000	3.0%
Monogram Food Solutions	-	-	-	8	1,166,039	2.4%
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%	9	1,116,000	2.3%
Bemis Healthcare Packaging, Inc	-	-	-	10	1,000,000	2.0%
Flambeau River Biofuels Financial Group, Inc.	5	1,000,000	2.7%	-	-	-
Milwaukee Forge, LLC	6	871,627	2.4%	-	-	-
Flambeau River Papers, LLC	7	727,350	2.0%	-	-	-
Prolitec Inc.	8	650,890	1.8%	-	-	-
Flambeau River Papers, LLC	9	624,355	1.7%	-	-	-
Flambeau River Papers, LLC	10	624,321	1.7%	-	-	-
		<u>11,000,677</u>	<u>30.0%</u>		<u>30,581,955</u>	<u>61.8%</u>
<b>Total Loans Outstanding</b>		<u><b>\$ 36,685,132</b></u>			<u><b>\$ 49,523,692</b></u>	

**Notes:**

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

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**Sources:**

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**DEBT CAPACITY  
RATIOS OF OUTSTANDING DEBT  
Last Six Calendar 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

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 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 six years, only those years are presented.

Sources:

Wisconsin Department of Workforce Development

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



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**DEMOGRAPHIC AND ECONOMIC INFORMATION  
PERSONAL INCOME STATISTICS  
Last Seven 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	-	-	-	not available	-	-	-	-

**Notes:**

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

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

**Sources:**

Wisconsin Department of Workforce Development

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

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

DEMOGRAPHIC AND ECONOMIC INFORMATION  
EMPLOYMENT STATISTICS  
Last Seven Fiscal Years

Year	Employment (In Thousands Except Unemployment Rates Data)			Wisconsin Unemployed Rate	U.S. Unemployed Rate
	Civilian Labor Force	Total Employed	Total Unemployed		
(Restated)					
2011	3,080	2,841	239	7.8%	8.9%
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	-	-	Not Available	-	-

Notes:

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

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Sources:

Wisconsin Department of Workforce Development

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

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

OPERATING INFORMATION  
EMPLOYEES BY FUNCTION/PROGRAM  
Last Six Years

(continued)

Function/Program	2012		2013		2014	
	Permanent	Temporary/ Project	Permanent	Temporary/ Project	Permanent	Temporary/ Project
<b>General Administration</b>						
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	-	-	-
<b>Economic Development</b>						
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
Marketing & brand strategy	7	-	5	-	8	-
<b>Total Staff</b>	<b>90</b>	<b>5</b>	<b>84</b>	<b>4.5</b>	<b>92</b>	<b>7</b>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**OPERATING INFORMATION  
EMPLOYEES BY FUNCTION/PROGRAM  
Last Six Years**

(concluded)

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

**Notes:**

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

OPERATING INFORMATION  
OPERATING INDICATORS BY FUNCTION  
Last Six Years

(continued)

Program	2012	2013	2014	2015	2016	2017
<b>Business and Community Development</b>						
<b>Bonding Authority</b>						
Industrial Revenue Bonding	4	3	7	7	4	7
Midwestern Disaster Area Bond	25	15	-	-	-	-
Qualified Energy Conservation Bond	2	-	-	-	1	-
<b>Grants</b>						
Brownfield Grant Program	15	10	11	13	15	13
Business Expansion and Retention	2	2	-	-	-	-
Capacity Building	-	4	3	5	11	14
Community Development Investment	-	5	15	23	18	21
Forward Innovation Fund	1	-	-	-	-	-
Idle Industrial Sites Redevelopment	-	-	6	4	-	9
Minority Business Development	-	-	-	-	-	10
Revolving	-	-	-	-	-	10
Regional Revolving Loan Fund	-	-	1	-	-	-
Expansion	-	-	1	-	-	-
Site Assessment Grants	4	9	17	14	13	11
State Energy Programs	1	-	-	-	-	-
Workforce Training	6	6	4	2	1	2
<b>Loan</b>						
Business Retention and Expansion	21	18	9	-	-	-
Business Opportunity Loan Fund	-	-	10	17	12	9
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	-	-	-	-	-
<b>Tax Credits</b>						
Business Development Tax Credit	-	-	-	-	17	62
Development Opportunity Zones	6	-	4	1	2	-
Economic Development Tax Credits	74	82	64	52	32	-
Enterprise Zone	3	1	2	3	2	5
Historic Preservation Tax Credit	-	-	8	42	32	67
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 Six Years

(concluded)

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

Notes:

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**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**OPERATING INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
Last Six Years**

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

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The Wisconsin Economic Development Corporation (WEDC) leads economic development efforts for the state by advancing and maximizing opportunities in Wisconsin for businesses, communities and people to thrive in a globally competitive environment. WEDC provides resources, operational support and financial assistance to companies, partners and communities in Wisconsin. WEDC achieves its mission through initiatives driven by five strategic pillars: business development; community and economic opportunity; strategic economic competitiveness; state brand management and promotion; and operational and fiscal excellence. Working with more than 600 regional and local partners, WEDC develops and delivers solutions representative of a highly responsive and coordinated economic development network.

Visit [InWisconsin.com](http://InWisconsin.com) to learn more.



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