



**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION**

**INCLUDING INDEPENDENT
AUDITOR'S REPORT**

For the fiscal year ended June 30, 2018

A component unit of the State of Wisconsin

A photograph of the Wisconsin State Capitol building in Madison, Wisconsin. The building is a large, white, neoclassical structure with a prominent dome topped by a golden statue. In the foreground, a large fountain with multiple jets of water is spraying upwards. The sky is blue with scattered white clouds. The text 'COMPREHENSIVE ANNUAL FINANCIAL REPORT' is overlaid at the bottom of the image in a white, bold, sans-serif font.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Including Independent Auditors' Report

For the Fiscal Year Ended

June 30, 2018

Prepared by:

The Dedicated Staff of WEDC's Finance Division

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS

As of and For the Year Ended June 30, 2018

INTRODUCTORY SECTION

	Page
Transmittal Letter	1 – 2
Certificate of Achievement	3
Organizational Chart	5
Directory of WEDC Officials	7

FINANCIAL SECTION

Independent Auditors' Report	11 – 13
Management's Discussion and Analysis	14 – 21
Basic Financial Statements	
Statement of Net Position	23
Statement of Activities	24
Balance Sheet – Governmental Funds	25
Reconciliation of the Balance Sheet to the Statement of Net Position	26
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	29 – 30
Index to Notes to Financial Statements	31
Notes to Financial Statements	32 – 60

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS

As of and For the Year Ended June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

	Page
Schedule of WEDC's Proportionate Share of the Net Pension Liability (Asset)	63
Schedule of WEDC Contributions to the WRS	63
Notes to Required Supplementary Information	63
Schedule of WEDC's Proportionate Share of the Total OPEB Liability	64
Schedule of WEDC Contributions to the State Retiree Health Insurance	64
Notes to Required Supplementary Information	64

SUPPLEMENTARY INFORMATION

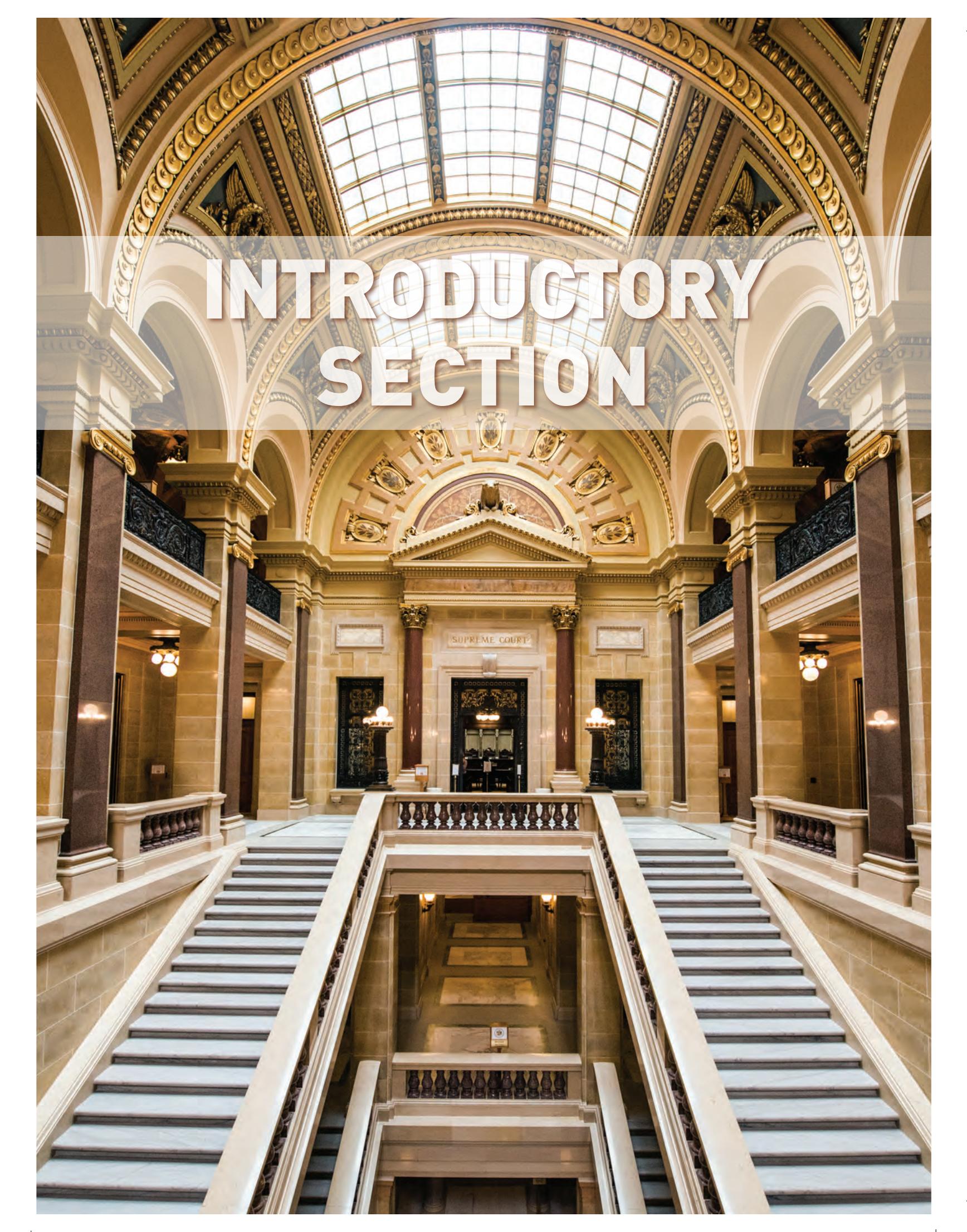
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – By Object – General Fund	67
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STATISTICAL SECTION

Statistical Section Contents	71
Changes in Net Position	72
Net Position by Component	73
Changes in Fund Balances of Governmental Funds	74
Fund Balances of Governmental Funds	75
Collectible Loan Balances	76 - 77
Ten Largest Loans	78
Ratios of Outstanding Debt	79
Personal Income Statistics	80
Employment Statistics	81

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION
TABLE OF CONTENTS
As of and For the Year Ended June 30, 2018

Employees by Function/Program	82 – 83
Operating Indicators by Function	84 - 85
Schedule of Capital Assets	86



INTRODUCTORY SECTION

SUPREME COURT



October 27, 2018

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

The Comprehensive Annual Financial Report of Wisconsin Economic Development Corporation (WEDC) as of and for the year ended June 30, 2018, is herein submitted.

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

Sikich LLP has issued an unmodified (“clean”) opinion on Wisconsin Economic Development Corporation’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

ABOUT WEDC

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

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

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LONG RANGE PLANNING AND FINANCIAL POLICIES

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

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

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

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

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

Respectfully submitted,



Brian Nowicki, CPA, CFA
Chief Financial Officer



Natalya Krutova
Controller



Government Finance Officers Association

**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

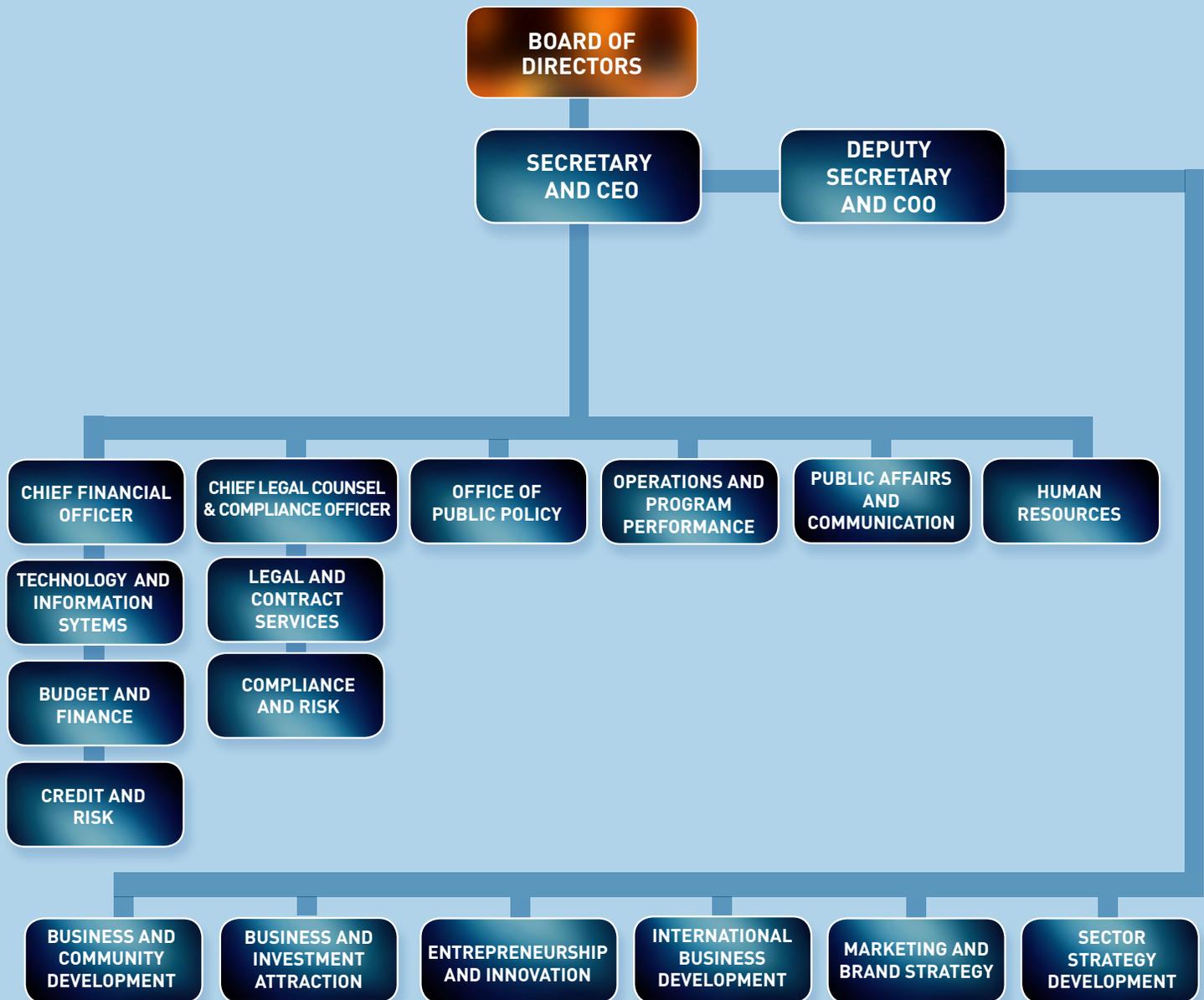
June 30, 2017

Christopher P. Morill

Executive Director/CEO



ORGANIZATIONAL CHART



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Directory of Officials

Board of Directors

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

Administrators

Mark R. Hogan	Chief Executive Officer/ Secretary
Tricia R. Braun	Chief Operation Officer & Deputy Secretary
Jennifer Jin	Chief Legal Counsel
Brian Nowicki	Chief Financial Officer
Aaron Hagar	Vice President of Entrepreneurship & Innovation
Anne Jesko	Vice President of Human Resources
Barb La Mue	Vice President of Business & Community Development
Joshua Robbins	Vice President of Technology & Information Systems
Katy Sinnott	Vice President of International Business Development
Kelly Lietz	Vice President of Marketing & Brand Strategy
Vincent Rice	Vice President of Sector Strategy Development
Amy Young	Office of Public Policy – Senior Director

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of the Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the basic financial statements referred above present fairly, in all material respects, the financial position of Wisconsin Economic Development Corporation as of June 30, 2018, and the changes in financial position and the respective budgetary comparison statement for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, WEDC's basic financial statements for the year ended June 30, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities and major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WEDC's basic financial statements as a whole. The June 30, 2017 summarized information in the schedule of revenues, expenditures, and changes in fund balance - budget and actual - by object is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting information and other records used to prepare the 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2017 summarized information in the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of WEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEDC's internal control over financial reporting and compliance.

Sikich LLP

Brookfield, Wisconsin
October 29, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and For the Year Ended June 30, 2018

(Unaudited)

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

FINANCIAL HIGHLIGHTS

The more significant activity that impacted WEDC's government-wide financial picture during 2018 were:

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of WEDC's finances, in a manner similar to a private-sector business. They are presented in two statements, the Statement of Net Position and the Statement of Activities (pages 23-24).

GOVERNMENT-WIDE - STATEMENT OF NET POSITION

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

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

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

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

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

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

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

A portion of WEDC's net position represents the net investment in its capital assets, based on historical cost. Capital assets are used to provide services; consequently, these assets are not available for future spending.

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

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

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

Unrestricted net position increased \$6.1 million from the previous year due primarily to additional funding from the State of Wisconsin.

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES

The Statement of Activities presents information showing how WEDC's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The table below summarizes the Statements of Activities for 2017 and 2018.

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

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

Charges for services decreased by \$74,000 due primarily to decreases in loan origination fees.

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

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WEDC only has one fund, a General Fund. The General Fund is a governmental fund type. The fund financial statements can be found on pages 25 and 27 of this report.

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, see pages 26 and 28.

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

GENERAL FUND – FUND BALANCE

At year-end, WEDC's total fund balance was \$121.5 million. Total fund balance increased in fiscal year 2018 mainly due to additional funding from the State of Wisconsin. WEDC's general fund balance is categorized into four components:

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

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

The non-spendable fund balance for fiscal year 2018 was \$31.2 million, compared to \$39.0 million in fiscal year 2017, and primarily represents loans receivable from awardees. Although these loans represent assets to WEDC, the payments on them are not due in the near term and therefore are not available for spending. The \$7.8 million decrease is due primarily to a reduction in our loan receivable balance as loan repayments exceeded loan originations for the year.

The restricted fund balance for fiscal year 2018 was \$52.9 million, compared to \$41.7 million in fiscal year 2017. The restricted fund balance of the general fund and the restricted net position of the government-wide statement of fund balance are very similar, both representing revenues that can only be used for certain purposes, primarily on economic development programs. The \$11.2 million increase is due primarily to economic development awards being contracted at a greater rate than the award costs are being incurred, in addition to a 2018 mid-year legislative appropriation for talent attraction retention and development initiatives.

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

The unassigned fund balance for fiscal year 2018 was \$33.9 million, compared to \$3.3 million in fiscal year 2017, and represents the residual classification for the General Fund. Amounts over the established target of one-sixth of WEDC's annual administrative costs will be used to help fund future operating budgets or to increase program spending in the current fiscal year. The \$30.6 million increase is due primarily to additional available funds that were transferred from the State Economic Development Fund and the reclassification of the assigned fund balance for future program years to the unassigned fund balance.

GENERAL FUND - BUDGETARY HIGHLIGHTS

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

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

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

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

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

- \$11.7 million favorable variance in program grants as actual cash disbursements from current and prior year program awards were less than their program budgets (which, in addition to current year cash disbursements, also include current year commitments and contract activity). To the extent that

committed and contracted activity are not recognized as an expense in the current fiscal year, the funds are restricted on the balance sheet.

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

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

The Fiscal Year 2018 Program Activity - For the fiscal year 2018, we continue to see solid demand for our programs, and at year-end, we have disbursed, committed, or contracted for \$30.5 million in grants and loans. Compared to our budgeted goal of \$33.3 million, this represents a 91% placement rate for the fiscal year 2018 funds.

Changes from Original Budget to Final Budget

When compared to WEDC's original budget, the final budget included an increase in total revenue of \$8.5 million (from \$38.7 million to \$47.2 million) and an increase in total expenses of \$9.7 million (from \$51.1 million to \$60.8 million). Budgeted revenue increased primarily due to a \$6.8 million mid-year legislative appropriation for talent attraction retention and development initiative and \$1.4 million in additional federal grant funding. Budgeted expenses increased primarily due to \$4.9 million in additional program grant funding, \$2.7 million in additional loan loss reserve expectations, \$1.2 million in marketing expenditures related to the talent attraction retention and development initiative, and \$1.0 million related to pass-through expenses on our federal grants.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 32-60 of this report. The information provided below on capital assets and long-

term debt can also be found within the footnotes to the financial statements. The notes to the required supplementary information can be found on pages 63-64.

CAPITAL ASSETS

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

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

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

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

LONG-TERM DEBT

WEDC does not have a debt limit. The only significant change in WEDC's long-term obligations was related to our note payable to the State. This note is recalculated annually based on WEDC's retirement contributions as compared to the retirement contributions of all State agencies. This percentage is then applied to the total outstanding bonds that were issued for the payment of the prior service pension cost liability. The change in WEDC's share of these obligations is reported as an addition or deletion to the outstanding balance annually. For the fiscal year 2018, this resulted in a change of \$188,684. Other changes in long-term debt related to scheduled payments.

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

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

REQUESTS FOR INFORMATION

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

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

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION
As of June 30, 2018

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ 17,829,060
Amounts reported for governmental activities in the statement of activities are different because:	
Net pension liabilities and related deferred inflows/outflows are not current financial resources and, therefore, are not reported in the governmental funds	(93,318)
Total OPEB liabilities and related deferred inflows/outflows are not current financial resources and, therefore, are not reported in the governmental funds	(53,762)
Governmental funds report capital outlays as expenditures.	
However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	441,842
Depreciation is reported in the government-wide statements	(361,053)
Gain on disposal capital assets	
Receivables not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide statements	378,447
Prior year deferred revenue reversed in current year	
Repayments of debt is an expenditure in the governmental funds, but the reduces debt in the statement of net position.	
Notes payable annual recalculation adjustment	103,016
Principal repaid	85,668
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(37,147)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 18,292,753</u></u>

See accompanying notes to financial statements

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

(continued)

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the Year Ended June 30, 2018

(concluded)

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

See accompanying notes to financial statements

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

NOTE	Page
I. Summary of Significant Accounting Policies	32-60
A. Reporting Entity	32
B. Basis of Presentation	32-33
C. Measurement Focus and Basis of Accounting	33-34
D. Assets, Liabilities, and Net Position or Equity	34-38
1. Cash, Cash Equivalents, and Investments	34
2. Receivables	34
3. Inventories and Prepaid Expenses	34
4. Capital Assets	35
5. Pensions	35
6. Other Post-Employment Benefit Costs (OPEB)	35
7. Deferred Outflows/Inflows of Resources	36
8. Compensated Absences	36
9. Long-Term Obligations	36
10. Claims and Judgments	37
11. Equity Classifications	37-38
II. Stewardship, Compliance, and Accountability	39
A. Budgetary Information	39
B. Excess Expenditures Over Appropriations	39
III. Detailed Notes on All Funds	40-46
A. Cash, Cash Equivalents, and Investments	40-43
B. Receivables	43-44
C. Capital Assets	44-45
D. Long-Term Obligations	45-46
E. Lease Disclosures	46
F. Loan Guarantees	46
IV. Other Information	47-60
A. General Information about the Pension Plan	47-52
B. General Information about the OPEB Plan	52-55
C. Risk Management	56
D. Commitments and Contingencies	56
E. Effect of New Accounting Standards on Current Period Financial Statements	56-60
F. Prior Period Adjustment	60

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

On February 9, 2011, the Wisconsin Legislature passed legislation creating WEDC, which is a public body corporate and politic, to be known as the "Wisconsin Economic Development Corporation". The members of the board of WEDC shall consist of six members nominated by the governor, three members appointed by the speaker of the assembly, and three members appointed by the Senate majority leader. The secretary of administration and secretary of revenue shall also serve on the board as non-voting members. Although WEDC was created on February 9, 2011, financial activity did not start until July 1, 2011, upon commencement of the State of Wisconsin 2011-12 budget and the initial transfer of funds.

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

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

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information of WEDC. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. WEDC has no business-type activities.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Fund Financial Statements

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest revenue is recognized as earned.

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

Interest on investments is recognized as revenue when earned and received within the period of availability (within 60 days of year-end). Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Cash, Cash Equivalents, and Investments

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

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

2. Receivables

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

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

3. Inventories and Prepaid Expenses

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

4. Capital Assets

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

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

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

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

5. Pensions

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

6. Other Post-Employment Benefit Costs (OPEB)

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

7. Deferred Outflows/Inflows of Resources

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

8. *Compensated Absences*

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

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

9. *Long-Term Obligations*

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

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

10. *Claims and Judgments*

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

recorded in the government-wide statements as expenses when the related liabilities are incurred. Claims and judgments are recorded in the governmental fund financial statements as expenditures only if they are due and payable.

11. Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

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

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

NOTE II – Stewardship, Compliance, and Accountability

A. BUDGETARY INFORMATION

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations are as follows:

<u>Fund</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Fund			
Office of public policy	\$ 483,296	\$ 503,136	\$ (19,840)

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

NOTE III – Detailed Notes on All Funds

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Custodial Credit Risk

Deposits

For a deposit, custodial credit risk is the risk that in the event of a financial institution failure, WEDC's deposits may not be returned to WEDC. Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), and \$250,000 for interest-bearing demand deposit accounts. WEDC has collateral agreements in the amount of \$23.7 million for uninsured deposits that are held at the WEDC's primary bank and the American Deposit Management certificates of deposits as of June 30, 2018. Collateral agreements are to prohibit the release of pledged assets without WEDC's authorization, however, substitution of like collateral (valued and type) is allowed.

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

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WEDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$50.8 million of uninsured investment securities are held at the custodian bank in book-entry form.

Policy

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

Interest Rate Risk

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

Credit Risk

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

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

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

The Concentration of Credit Risk

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Fair Value Measurement

WEDC categorized its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

WEDC has the following recurring fair value measurements as of June 30, 2018:

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

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

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

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

State of WI Issue \$0.6 million are valued based on various market and industry inputs (Level 2 inputs).

B. RECEIVABLES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, \$998,404 was considered to be earned but not available.

Loans Receivable

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Interest accrued but not received on outstanding loans is recorded as interest receivable. Similar to the loans themselves, an allowance has been provided for uncollectible interest on the outstanding balance. Interest accrued on performance-based loans is also considered to be uncollectible. Detail of the outstanding loans and interest receivable as of June 30, 2018, is as follows:

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

C. CAPITAL ASSETS

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Depreciation expense was charged to functions as follows:

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

D. LONG-TERM OBLIGATIONS

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

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

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

Notes Payable – State of Wisconsin

The State of Wisconsin (the State) has issued appropriation bonds in order to pay off the unfunded prior service costs for state employees participating in the WRS. The first of these bonds was issued in 2003 and the current final maturity for all of the bonds is in 2032. The State has issued a total of six debt issuances, of which two are variable rate instruments. The total outstanding balance of all of these debt issuances was \$1,498,735,000 as of June 30, 2018. The full details of these debt issues can be found within the State's annual financial statements.

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

The amount reported as WEDC's share of the total outstanding debt is calculated at 0.1298% as of July 1, 2017, the most recently available period. The liability reported above and estimated repayment schedule shown below has been calculated using this percentage. The actual amounts owed will fluctuate from year to year based on WEDC's retirement contributions compared to the other agencies and the variable interest rate component of some of the debt issuances. Adjustments to the estimated amounts owed are shown as adjustments in the notes payable balance on an annual basis. The table shows the future payments under this obligation as currently calculated.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

E. LEASE DISCLOSURES

Lessee - Operating Leases

WEDC is negotiating a long-term lease for office space with the State of Wisconsin Department of Administration. The contract is intended to cover the period of July 1, 2018 through June 30, 2021, with the option to renew. The State of Wisconsin Building Commission will set the cost for all State Buildings determining the amount due for each year leased. Following is a schedule of future minimum rental payments expected to be required under the terms of the intended operating lease.

Year	Future Minimum Rental
2019	\$ 522,211
2020	534,744
2021	547,467
Total	<u>\$ 1,604,422</u>

F. LOAN GUARANTEES

Part of WEDC's mission includes providing loan guarantees to local businesses to aid in economic development and job creation. WEDC has guaranteed four bank loans for businesses within the State, with one guarantee outstanding as of June 30, 2018.

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

NOTE IV – Other Information

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

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

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

Vesting

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

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Post-Retirement Adjustments

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

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

Contributions

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

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

At June 30, 2018, WEDC reported an asset of \$1,483,782 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The WEDC's proportion of the net pension liability (asset) was based on the WEDC share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the WEDC proportion was 0.04997%, which was an increase of 2.4% from its proportion measured as of December 31, 2016 which was 0.04879%.

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

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

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

\$256,026 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to a pension will be recognized in pension expense as follows:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

Actuarial Assumptions

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

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

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

Single Discount Rate

A single discount rate of 7.2% was used to measure the total pension liability, which was based on the expected rate of return on pension plan investments. Because of the unique structure of the WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid after reflecting known changes in the Market Recognition Account. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the WEDC's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the WEDC's proportionate share of

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 18-9.

At June 30, 2018, WEDC has no accrued payable to the defined benefit pension plan.

B. GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description

The State of Wisconsin's Health Insurance Plan defined as a single employer plan under Governmental Accounting Standards Boards Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, is an employer-sponsored program (not administered as a trust) offering group medical coverage to eligible employees and retirees of State and component unit employers. Created under Chapter 40 of the Wisconsin Statutes, the State Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under Wis. Stat. Sections 15.165(2) and 40.03(6). As of January 2017, the most recent actuarial valuation date, there were 61,952 active and 5,996 retirees and beneficiaries and participating in the plan. There were also 1,537 vested terminated members that are entitled to receive benefits but are not currently participating.

Benefits Provided

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

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

Contributions

Retiree health insurance OPEB benefits are paid on a "pay-as-you-go" basis. There is no trust and no assets have accumulated for the plan. In the fiscal year 2017 participating employers made actuarially-determined contributions of \$38,429,704 for the implicit rate subsidy. That is, the actuary determined that employer paid health insurance contributions for active employees were

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

\$38.4 million higher than they would have been if they were rated separately from retired participants. \$48,957 was WEDC's portion of the contribution.

Measurement Focus and Basis of Accounting

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

Actuarial Assumptions

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

Actuarial Valuation Date	January 1, 2017
Measurement Date of Total OPEB Liability	June 30, 2017
Reporting Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal, level percent of pay
Asset Valuation Method	N/A
Inflation	3.20%
Salary Increases	Vary by service and employee class, including inflation
Discount Rate	3.58%
Healthcare Cost Trend Rates	
Medical	2.33% for one year then 5.25% graded to 4.50% over 3 years
Prescription Drug	-4.90% for one year then 8.50% graded to 4.50% over 7 years
Dental	3.50% for one year then 4.00%
Administrative Costs	4.80% for one year then 3.00%
Mortality Rates	Wisconsin 2014 Mortality Table

Discount Rate

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

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

The allocation of the employers' proportionate shares of the OPEB amounts for the fiscal year 2018 are based on the percentage of actual employer contributions during the fiscal year 2017 to correspond with the measurement date.

At June 30, 2018, WEDC reported a liability of \$929,312 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2017, with an actuarial valuation as of January 1, 2017, adjusted for expected changes from the census date to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The WEDC's proportion of the total OPEB

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

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

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

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

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

\$55,877 reported as deferred outflows related to OPEB resulting from the State Retiree Health Plan contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

Service cost	\$ 93,144
Interest	30,498
Recognition of deferred inflows	<u>(13,309)</u>
Total OPEB Expense	<u>\$ 110,333</u>

Sensitivity to Changes

The following presents the total WEDC's OPEB liability as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate.

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

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

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Total OPEB Liability	\$ 822,074	\$ 929,312	\$ 1,056,980

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

C. RISK MANAGEMENT

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

D. COMMITMENTS AND CONTINGENCIES

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

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

Approximately 90% of the funding for WEDC comes from the State.

WEDC has entered into contracts and provides offers of financial assistance to businesses and partners in the State for future financial assistance. The remaining unexpended balance on these contracts and commitments has been reported as either restricted or assigned fund balance as appropriate. At year end, \$45,989,859 was reported in total for these contracts, \$45,502,859 as restricted fund balance, and \$487,000 as assigned fund balance.

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

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

- Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016 – This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in the statement. This statement is effective for fiscal years beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities*, issued January 2017 - This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. This statement is effective for fiscal years beginning after December 15, 2018.

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

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

- Statement No. 87, *Leases*, issued June 2017 - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for fiscal years beginning after December 15, 2019.

- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued April 2018 - The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

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

- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued in June 2018. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This statement establishes accounting requirements for interest cost incurred before the

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement establishes that ownership of a majority equity interest in a legally separate organization results in the government is financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented inflows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

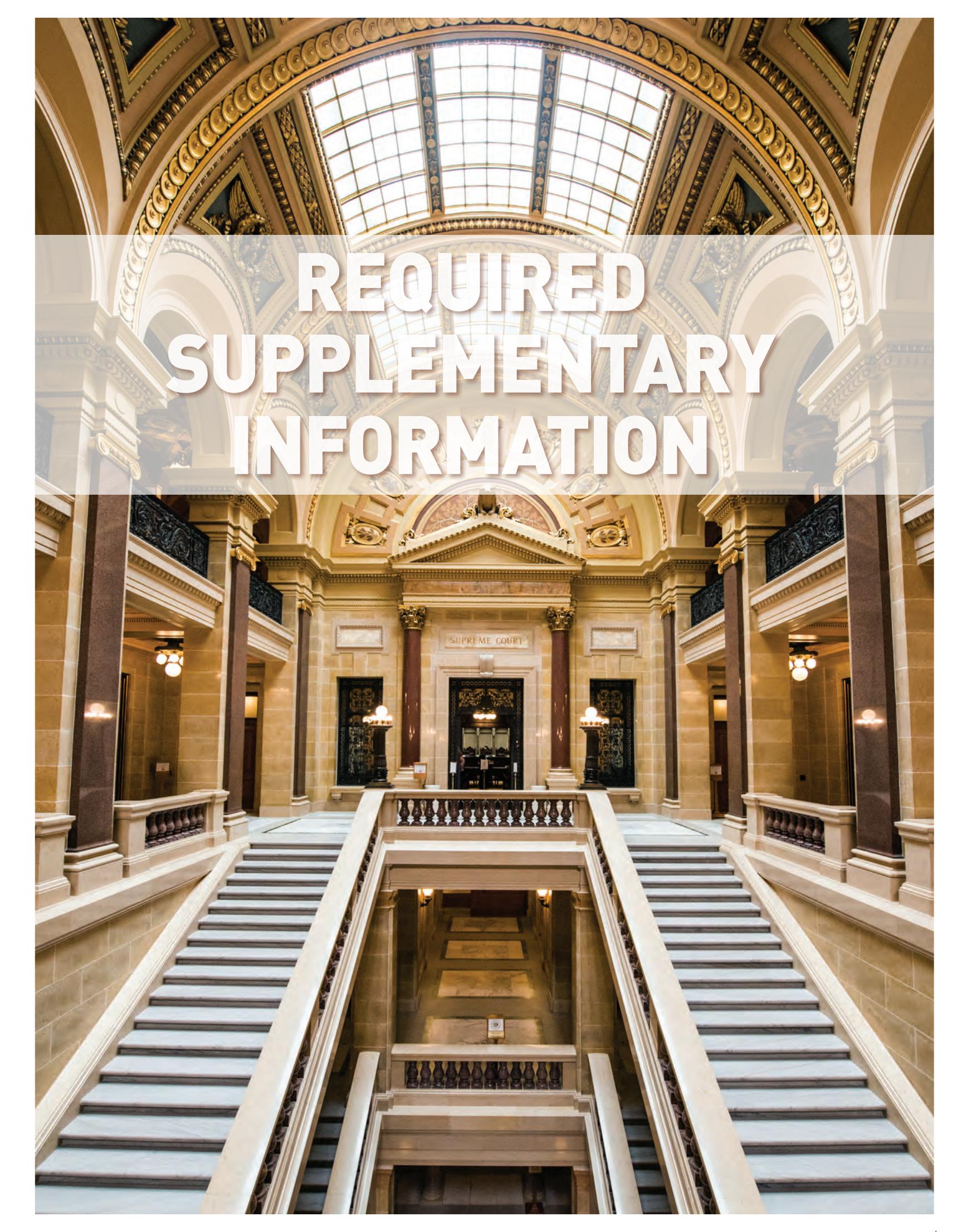
NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2018

The effective date for each of this new statement is included above. GASB encourages early implementation of these new statements. Application of these standards may result in the restatement of portions of these financial statements.

F. PRIOR PERIOD ADJUSTMENT

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

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



REQUIRED SUPPLEMENTARY INFORMATION

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

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

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

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

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

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

**Notes to Required Supplementary Information
for the Year Ended June 30, 2018**

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

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

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

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

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

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

**Notes to Required Supplementary Information
for the Year Ended June 30, 2018**

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

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

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



SUPPLEMENTARY INFORMATION

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the Years Ended June 30, 2017 AND 2018

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

The image shows a magnificent, classical-style interior of a government building. At the top, a large, multi-paned skylight illuminates a vaulted dome. Below the dome, the ceiling is decorated with intricate gold and blue patterns. The main floor is a grand hall with a double staircase of light-colored stone steps leading up to a central entrance. The entrance is framed by two tall, dark columns and topped with a pediment containing the words "SUPREME COURT". The walls are made of light-colored stone and feature several arched doorways and decorative panels. The overall atmosphere is one of grandeur and historical significance.

STATISTICAL SECTION

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATISTICAL SECTION

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

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL TRENDS
CHANGES IN NET POSITION
Last Seven Fiscal Years

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

Notes:

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

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

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

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

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL TRENDS
NET POSITION BY COMPONENT
Last Seven Fiscal Years

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

Notes:

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

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Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

Notes:

In 2012 and 2013 loan loss reserve and performance based loan reserve expenses were reported within the general administration function. Beginning in 2014 these expenses are reported within the economic development function.

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

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Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL TRENDS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Seven Fiscal Years

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

Notes:

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

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Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

REVENUE CAPACITY
COLLECTIBLE LOAN BALANCES
Last Seven Fiscal Years

(continued)

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

REVENUE CAPACITY
COLLECTIBLE LOAN BALANCES
Last Seven Fiscal Years

(concluded)

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

Notes:

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

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

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

REVENUE CAPACITY
TEN LARGEST LOANS
Six Years ago and Current Year

Collectible Loan	Rank	Loan Balance 2012	Percent of Total	Rank	Loan Balance 2018	Percent of Total
SHINE Medical Technologies, Inc.	-	-	-	1	\$ 4,000,000	9.4%
Menasha Corporation	-	-	-	2	3,000,000	7.0%
Trilliant Food & Nutrition, LLC	-	-	-	3	1,854,724	4.4%
Russ Davis Wholesale	-	-	-	4	1,757,323	4.1%
Kestrel Aircraft Company	1	\$ 2,000,000	5.5%	5	1,704,310	4.0%
Kestrel Aircraft Company	-	-	-	6	1,698,065	4.0%
Exodus Machines Incorporated	-	-	-	7	1,150,000	2.7%
Appleton Coated LLC	-	-	-	8	1,000,000	2.3%
Monogram Food Solutions	-	-	-	9	866,062	2.0%
Ritalka, Inc	-	-	-	10	807,744	1.9%
Flambeau River Biofuels Financial Group, Inc.	2	2,000,000	5.5%	-	-	-
J.L. French, LLC	3	1,386,133	3.8%	-	-	-
Green Box NA Green Bay, LLC	4	1,116,000	3.0%	-	-	-
Bemis Healthcare Packaging, Inc	-	-	-	-	-	-
Flambeau River Biofuels Financial Group, Inc.	5	1,000,000	2.7%	-	-	-
Milwaukee Forge, LLC	6	871,627	2.4%	-	-	-
Flambeau River Papers, LLC	7	727,350	2.0%	-	-	-
Prolitec Inc.	8	650,890	1.8%	-	-	-
Flambeau River Papers, LLC	9	624,355	1.7%	-	-	-
Flambeau River Papers, LLC	10	624,321	1.7%	-	-	-
		<u>11,000,677</u>	<u>30.0%</u>		<u>17,838,228</u>	<u>41.9%</u>
Total Loans Outstanding		<u>\$ 36,685,132</u>			<u>\$ 42,565,102</u>	

Notes:

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

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

Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT
Last Seven Fiscal Years

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

Notes:

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

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

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

Sources:

2011-2017 Wisconsin Department of Workforce Development

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

2018 U.S. Bureau of Economic Analysis

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION
PERSONAL INCOME STATISTICS
Last Eight Calendar Years

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

Notes:

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

Sources:

2011-2016 Wisconsin Department of Workforce Development
<http://worknet.wisconsin.gov/worknet/daincome.aspx?menuselection=da>
 2017 U.S. Bureau of Economic Analysis
https://apps.bea.gov/iTable/index_regional.cfm

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION
EMPLOYMENT STATISTICS
Last Seven Fiscal Years

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

Notes:

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

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

Sources:

2011-2016 Wisconsin Department of Workforce Development

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

2017 U.S. Bureau of Economic Analysis

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
EMPLOYEES BY FUNCTION/PROGRAM
Last Seven Years

(continued)

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
EMPLOYEES BY FUNCTION/PROGRAM
Last Seven Years

(concluded)

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

Notes:

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

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

Sources:

Wisconsin Economic Development Corporation

www.inwisconsin.com

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION
Last Seven Years

(continued)

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION
Last Seven Years

(concluded)

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

Notes:

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

Sources:

Wisconsin Economic Development Corporation

www.inwisconsin.com

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
SCHEDULE OF CAPITAL ASSETS
Last Seven Years

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

Notes:

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

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Sources:

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