



**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION
MADISON, WISCONSIN**

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

For the Year Ended June 30, 2018



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

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October 29, 2018

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

Ladies and Gentlemen:

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

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

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

Sincerely,

Sikich LLP

Sikich LLP
By: Daniel A. Berg CPA
Partner

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

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October 29, 2018

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

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

Qualitative Aspects of Accounting Practices

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the required supplementary information (RSI) identified in the table of contents that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the Introductory Section and the Statistical Section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance.

Restriction on Use

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

Very truly yours,

Sikich LLP

Sikich LLP

By: Daniel A. Berg, CPA

Partner

**WISCONSIN ECONOMIC
DEVELOPMENT CORPORATION
MADISON, WISCONSIN**

MANAGEMENT LETTER

June 30, 2018

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

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

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

SiKich LLP

Brookfield, Wisconsin
October 29, 2018

OTHER COMMENTS

Future Accounting Pronouncements

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

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

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

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

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

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

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

OTHER COMMENTS (Continued)

Future Accounting Pronouncements (Continued)

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

GASB Statement No 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for the fiscal year ending June 30, 2021.

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

APPENDIX A
STATUS OF PRIOR YEAR RECOMMENDATIONS

SIGNIFICANT DEFICIENCY

User Access Rights

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

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

Status - Recommendation was implemented during FY18.

DEFICIENCY

Census Data

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

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

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

Status - Recommendation was implemented during FY18.

FIRM PROFILE



ORGANIZATION

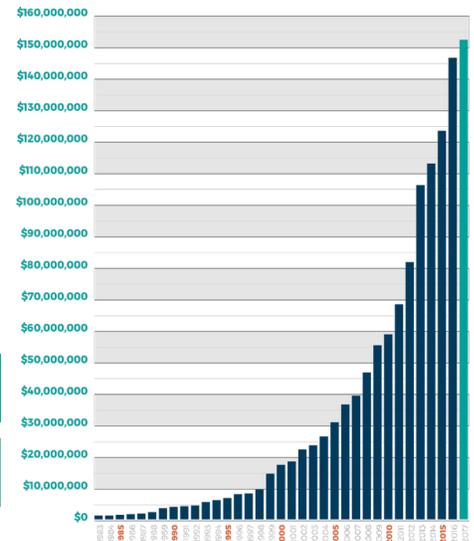
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INDUSTRIES

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

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

SIKICH TOTAL REVENUES



STATISTICS

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

2018 AWARDS

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

SERVICES

ACCOUNTING, TAX & ASSURANCE

TECHNOLOGY

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

ADVISORY

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

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

2017 AWARDS

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

2016 AWARDS

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

CERTIFICATIONS

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

MICROSOFT PARTNER

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Gold

Microsoft Partner



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

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THE LEADING EDGE ALLIANCE

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**International Accounting Bulletin, 2011*



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