

← 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, 2013



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, 2013

Prepared by:

Finance Department

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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INTRODUCTORY
SECTION

September 27, 2013

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, 2013, is herein submitted.

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

Sikich LLP has issued an unmodified (“clean”) opinion on Wisconsin Economic Development Corporation’s financial statements for the year ended June 30, 2013. 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. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE

The Wisconsin Economic Development Corporation was created in 2011 Wisconsin Act 7 to serve as the State's economic development entity with a focus on private sector job creation. A public-private partnership, this authority replaced the Wisconsin Department of Commerce, and focuses exclusively on developing and implementing economic programs to assist companies that are investing and creating jobs in Wisconsin and supporting new business start-ups and business expansion and growth in the State.

Organizational Mission

To elevate the Wisconsin economy to be the best in the world by providing a positive business climate, world-class support services and economic development tools to accelerate business start-up, attraction and growth.

WEDC’s divisional structure aligns with the key drivers of our economy:

- Entrepreneurship and Innovation – With a mission to increase startups in Wisconsin.
- International Business Development – With a mission to double exports by 2015.



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- Business and Industry – With a mission to advance high impact economic development projects that produce a competitive advantage for Wisconsin
- Economic and Community Development – With a mission to increase and deploy capital to drive business expansion and relocation

LONG RANGE PLANNING AND FINANCIAL POLICIES

In fiscal year 2013 WEDC developed a total of 101 new operational and financial policies including policies over fund balance, cash and investments, internal controls, revenues, capital assets, collections and awards management. During fiscal year 2014 WEDC will implement the provisions of these new policies. Annually the agency reviews the mission statement and updates the strategic plan. This plan is used to drive the operations plan and next year's budget process.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Chairman of the Board, Governor Scott Walker, the Chief Executive Officer and Secretary, Reed Hall and the Board of Directors of WEDC for their unfailing support for maintaining the highest standards of professionalism in the management of Wisconsin Economic Development Corporation's finances.

WEDC would like to recognize the Sikich LLP, WEDC's audit team, for their dedication and expertise, which contributed significantly to the report quality and adherence to professional accounting standards.

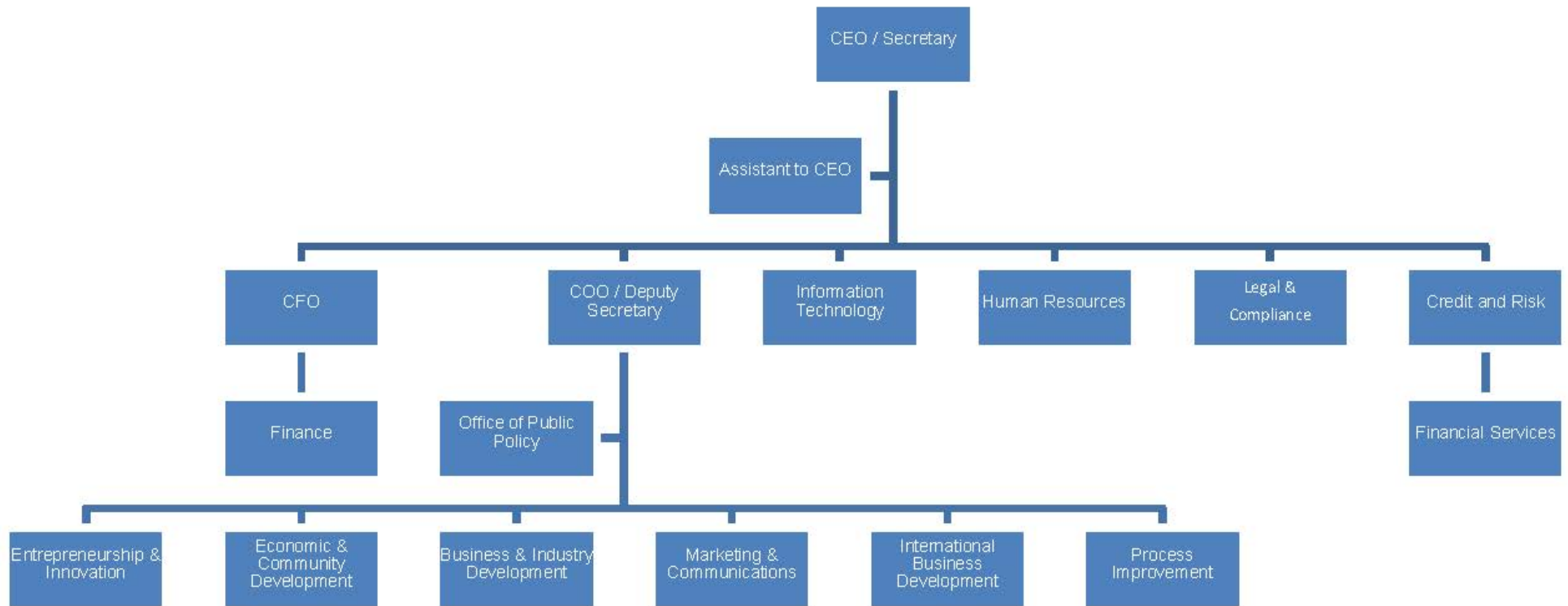
Respectfully submitted,



Stephanie M. Walker, CPA
Chief Financial Officer

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Organizational Chart



WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Directory of Officials

Board of Directors

Governor Scott Walker	Chair
Dan Ariens	Vice-Chair
Scot Klug	Treasurer
Lisa Mauer	Secretary
Rep. Peter Barca	Board Member
Raymond Dreger	Board Member
Nancy Hernandez	Board Member
Corey Hoze	Board Member
Sen. Julie Lassa	Board Member
Sen. Joe Leibham	Board Member
Paul Radspinner	Board Member
Rep. Jeff Stone	Board Member
C.Thomas Sylke	Board Member
Mike Huebsch	Ex-Officio – Department of Administration
Richard Chandler	Ex-Officio – Department of Revenue

Administrators

Secretary Reed Hall	Chief Executive Officer
Greg Beach	Chief Information Officer
Brenda Hicks-Sorenson	Vice President of Economic & Community Development
Lisa Johnson	Vice President of Entrepreneurship & Innovation
Lora Klenke	Vice President of International Development
Jake Kuester	Vice President of Credit and Risk
Kelly Lietz	Vice President of Marketing & Communication
Deputy Secretary Ryan Murray	Chief Operating Officer
Hannah Renfro	Chief Legal Counsel & Compliance Officer
Lee Swindall	Vice President of Business & Industry Development
Lyra Trapp	Human Resources Director
Stephanie M. Walker	Chief Financial Officer
Amy Young	Office of Public Policy - Director

FINANCIAL
SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental-type activities and major fund of Wisconsin Economic Development Corporation (WEDC) as of and for the year ended June 30, 2013, and the notes to the financial statements, which collectively comprise the WEDC's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the entity'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 the entity'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, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Emphasis of Matter

WEDC adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended June 30, 2013. Statement No. 63 added new classifications on the statements of position and changed net assets to net position. GASB Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No 63. Our opinions were not modified with respect to this matter.

Other Matters

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.

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.



Naperville, Illinois
September 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2013
(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 transactions that impacted WEDC's financial picture during 2013 were:

- Total net position increased by \$19.3 million or 25.6%. This occurred because fewer funds were able to be deployed into awards during the year than expected.
- WEDC's net investment in capital assets increased by \$781,072 as new capital purchases were made with cash on hand.
- Total loans outstanding increased by \$8.3 million to \$60.5 million. The allowance for bad debts related to these loans increased by \$11.8 million to \$31.4 million in total.

Net position, as referred to above, result when revenues exceed expenses. When expenses exceed revenues, the result is a decrease in net position. You can think of this relationship between revenues and expenses as WEDC's operating results. You can think of WEDC's net position, as measured in the Statement of Net Position, as one way to measure WEDC's financial health, or financial position.

Over time, increases and decreases in WEDC's net position, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, WEDC's goal is to provide services that improve the quality of life for our residents, not to generate profits. For this reason, you need to consider many other non-financial factors when assessing the overall health of our organization.



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OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Wisconsin Economic Development Corporation's basic financial statements. Wisconsin Economic Development Corporation's basic financial statements are comprised of three components: 1) government-wide financial statement, 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 Wisconsin Economic Development Corporation'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 17 - 18).

STATEMENT OF NET POSITION

The following table summarizes WEDC's Statements of Net Position from 2012 and 2013.

	2012 Restated	2013	Change	% Chg
Current and other assets	\$ 82,098,442	\$ 101,353,347	\$ 19,254,905	23.45%
Capital assets	327,114	1,037,799	710,685	217.26%
Total assets	<u>82,425,556</u>	<u>102,391,146</u>	<u>19,965,590</u>	<u>24.22%</u>
Long-term debt	1,839,349	2,227,876	388,527	21.12%
Other liabilities	5,057,213	5,286,211	228,998	4.53%
Total liabilities	<u>6,896,562</u>	<u>7,514,087</u>	<u>617,525</u>	<u>8.95%</u>
Net investment in capital assets	153,039	934,111	781,072	510.37%
Restricted	15,249,905	17,984,574	2,734,669	17.93%
Unrestricted	<u>60,126,050</u>	<u>75,958,374</u>	<u>15,832,324</u>	<u>26.33%</u>
Total net position	<u>\$ 75,528,994</u>	<u>\$ 94,877,059</u>	<u>\$ 19,348,065</u>	<u>25.62%</u>

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

Current and other assets primarily represent cash, receivables, prepaid items, and loans receivable. Total current and other assets increased by \$19.3 million. This increase was due to an increase in cash balances of \$36.9 million, offset by a decrease in due from other governments of \$14.6 million and a decrease in net loans receivable. The change in the due from other governments was related to a decreased in amounts owed from the State related to the CDBG program. WEDC had been administering the State's CDBG program in fiscal 2012. The State owed WEDC for disbursements made under those programs. Since WEDC is no longer administering that program for the State there was no receivable in fiscal year 2013. The increase in cash was due to the payment received from the State and due to lower loan demand. The decreased demand resulted in WEDC not being able to provide as many loans to businesses in fiscal 2013 as funding that the agency received.

Total net loans receivable decreased \$3.5 million. WEDC made a total of \$15.0 million in loan draws during fiscal 2013. These were offset by payments on loans received of \$4.1 million and direct write offs of \$2.3 million. These resulted in an overall increase in the loan receivable of \$8.5 million, which was offset by the increase in allowance for bad loans of \$11.8 million. The allowance increased from prior year due to the issuance of \$4.4 million forgivable loans and the notification that the repayment of a significant individual loan was in negotiation. Forgivable loans are included in the allowance at 100%.

Other liabilities include accounts payable, accrued payroll, payroll liabilities and accruals for awards not yet disbursed. These remained relatively constant from the prior year.

The net investment in capital assets represents WEDC's equity in its capital assets which was 90.0% of the historical cost of assets. This can be thought of as WEDC's ownership in those capital assets and this percentage increased from fiscal 2012's ownership of 46.8% as more assets were purchase using cash on hand rather than debt.

Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although Wisconsin Economic Development Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. WEDC's annual debt payments come from the operating budget.

A portion of WEDC's net position represents resources that are subject to external restrictions on how they may be used. Restricted net asset primarily consist of amounts received from the State that must be spent on either economic development programs or on Brownfield site assessments. Although the balance of these restricted resources increased in fiscal 2013, the entire balance of the restricted net position has been also been spoken for as these funds will finance WEDC's open award contracts and commitments. These awards have been made by year end however awardees can spend the awards during future years thus these are not reported as expenses or liabilities in WEDC's financial statements. WEDC's policies require that restricted funds are used before unrestricted resources.

The remaining unrestricted net position may be used to meet ongoing obligations to citizens and creditors.

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 2012 and 2013.

	Governmental activities			
	2012			
	Restated	2013	Change	% Chg
Revenues				
Program revenues				
Charges for services	\$ 936,876	\$ 818,021	\$ (118,855)	-12.7%
Operating grants & contributions	46,074,090	5,181,444	(40,892,646)	-88.8%
General revenues				
Intergovernmental revenues not restricted to specific programs	55,207,206	55,238,288	31,082	0.1%
Interest income	693,739	837,391	143,652	20.7%
Miscellaneous	-	891,168	891,168	0.0%
Total Revenues	<u>102,911,911</u>	<u>62,966,312</u>	<u>1,065,902</u>	<u>1.0%</u>
Expenses				
General administration	13,056,584	19,848,912	6,792,328	52.0%
Marketing and communication	1,202,147	2,852,310	1,650,163	137.3%
Economic development	13,056,977	20,820,325	7,763,348	59.5%
Interest and fiscal charges	67,209	96,700	29,491	43.9%
Total Expenses	<u>27,382,917</u>	<u>43,618,247</u>	<u>(29,491)</u>	<u>-30.5%</u>
Total Change in Net Position	75,528,994	19,348,065	(56,180,929)	-74.4%
Net position, Jan 1 (restated)	-	75,528,994	75,528,994	0.0%
Net position, Dec 31	<u>\$ 75,528,994</u>	<u>\$ 94,877,059</u>	<u>\$(75,528,994)</u>	<u>-100.0%</u>

Significant Changes in Governmental Activities

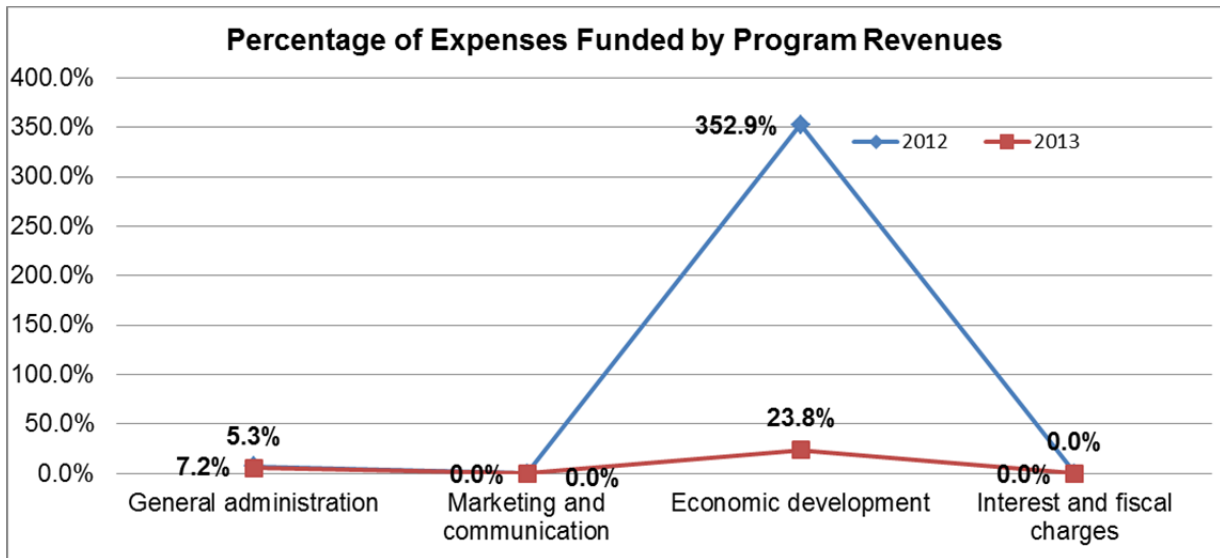
Program revenues are those revenues that can be directly related to a particular activity, whereas general revenues represent revenues that are not directly related to one specific function.

Operating grants and contributions decreased by \$40.9 million from fiscal 2012. WEDC began operations in fiscal year 2012 and received the remaining funding from the Department of Commerce of \$46.1 million. This initial transfer of resources was reflected in the operating grants and contributions in 2012. In 2013 WEDC entered into an agreement with Wisconsin Housing and Economic Development Agency (WHEDA) to administer the State Small Business Credit Initiative (SSBCI) program. WEDC recognized \$3.9 million in revenue under this program which was not received in the previous year.

Miscellaneous revenues represented other revenues which are primarily one time in nature.

Since WEDC began in fiscal 2012 the agency was not running at full operational capacity in that year. During fiscal 2013 the agency became more fully staffed. Since the agency was not fully operational for all of fiscal 2012 the expenses between the two years are not comparable.

As mentioned within the revenues section, program revenues are revenues intended to pay for a certain activity or function. The graph below illustrates how much of each function's expenses are funded by program revenues. All expenses not funded through program revenues are financed with general revenues, primarily general purpose revenues. As previously mentioned the fiscal 2012 program revenues included \$46.1 million of funds that were received as startup funding for the agency.



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. Wisconsin Economic Development Corporation, 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.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 19 - 22 of this report.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The focus of Wisconsin Economic Development Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Wisconsin Economic Development Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

GOVERNMENTAL FUNDS – FUND BALANCE

As of June 30, 2013, WEDC's governmental funds reported combined ending fund balance of \$95.3 million an increase of \$18.5 million from the previous year. Thirty-five (35.7%) percent of WEDC's total fund balance is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending as it has already been dedicated for prepaid items, non-current receivables or other purposes.

This increase primarily occurred because WEDC received funding in fiscal 2013 that we were unable to provide to businesses, industries or communities in the form of grants or loans during the year. Loan demand, in particular was lower than anticipated. WEDC had funding available to provide approximately \$44.1 million in loans during fiscal 2013, only \$15.0 million was drawn on loans and \$13.9 million was committed or contracted for loans during the year.

The General Fund is the chief operating fund of WEDC. At year end, total fund balance in the General Fund was \$ 95.3 million of which \$34.0 million was unassigned. The General Fund unassigned fund balance represents 54.5% of total General Fund revenues. WEDC's fund balance policy targets unassigned fund balance between 15% and 25% of revenues. Since ending fund balance exceeds the target, management is developing a plan to utilize excess funds in a sustainable manner that does not result in future structural budget deficits.

GENERAL FUND BUDGETARY HIGHLIGHTS

Wisconsin Economic Development Corporation adopts an annual budget for its General Fund. A budgetary comparison schedule can be found on pages 23 – 24 of this report. There was one budget amendment completed during the year. This amendment was needed to better reflect our operating activities and organizational structure which changed significantly since the beginning of fiscal year 2013. The more significant changes are described below:

- Revenues - have been revised from approximately \$89.8 million to \$63.4 million. The primary differences are:
 - Removal of \$17.0 million of CDBG funding since WEDC is not the administrator of this program.
 - Removal of \$5.0 million of revenue for the State energy program which is passed to the Department of Administration.
 - Reduction in the amount shown for State loan repayments of \$1.3 million as the original amount included principal repayments as revenues rather than reductions of receivables.
 - Reduction in the amount shown for SSBCI funding of \$2.5 million which will be recognized in future years, as this is a multi-year program.

- Expenditures – have been revised from approximately \$104.1 million to \$55.65 million. The primary changes are:
 - Recognition that loans are not expenditures. Approximately \$32.5 million was included in the original budget for loan programs.
 - Removal of \$17.0 million of CDBG programs.

Overall the General Fund actual results exceeded the budget for revenues and expenditures by \$10.0 million. Revenues were slightly under the final budget as the final budget included interest revenue on loans at the total amount accrued during the year. Actual results are based on availability.

Expenditures in total were under budget by \$10.9 million. Approximately \$5.4 million of the business and industry development budget was not spent as there were several major investments that were planned but not executed during the fiscal year, specifically \$750,000 was budgeted for a medical technology accelerator and \$750,000 was budgeted for the energy innovation center. The fiscal 2013 budget also included \$5.3 million in expenditures related to contracts awarded by WEDC’s predecessor agency the Department of Commerce of these \$3.7 million of these contracts are still considered pending and have been included in the open contract amounts at year end. As funds are spent on these projects the actual costs are charged to the appropriate division (economic and community development, business and industry, entrepreneurship and innovation, or international) rather than to this individual department.

Those results are offset by expenditures exceeding budget in the finance department for the allowance for bad debts. The allowance was increased in fiscal year 2013 due to a significant loan receivable in negotiation. Total allowance for bad debts exceeded budget by \$2.4 million.

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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 45 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.

CAPITAL ASSETS

WEDC’s capital asset activity for 2012 and 2013 is summarized below.

Description	Governmental Activities	
	2012	2013
Software	\$ 255,585	\$ 655,484
Furniture and fixtures	-	145,800
Leasehold improvements	-	240,911
Vehicles	114,822	154,432
Total Capital Assets	370,407	1,196,627
Less accumulated depreciation	(43,293)	(158,828)
Capital assets, net of depreciation	<u>\$ 327,114</u>	<u>\$ 1,037,799</u>

Capital assets increased from the previous year due to capital asset purchases exceeding depreciation of \$115,535. Significant projects undertaken during the year include the following:

- Creation of a new website for WEDC (\$399,900).
- Remodel of office space (\$240,910) to provide additional conference areas.
- Creation of a booth for marketing (\$145,800).

Additional information on WEDC’s capital assets can be found in Note III C. on page 33.

LONG-TERM DEBT

WEDC does not have a debt limit. The only significant change in WEDC’s long term obligations was related to our note payable to the State. This note is recalculated annually based on WEDC’s retirement contributions as compared to the retirement contributions of all State agencies. This percentage is then applied to the total outstanding bonds that were issued for the payment of the prior service pension cost liability. The change in WEDC’s share of these obligations is reported as an addition or deletion to the outstanding balance annually. For fiscal year 2013, this resulted in a change of \$422,032.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
Capital lease	\$ 174,075	\$ 108,649
Compensated absences	553,799	608,901
Notes payable - State of Wisconsin	<u>1,111,475</u>	<u>1,510,326</u>
Total	<u>\$ 1,839,349</u>	<u>\$ 2,227,876</u>

Additional information on WEDC’s long term debt can be found in Notes III D on pages 38 - 39.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The current interest rate environment has impacted the demand for WEDC loans. The low level of returns available to companies has resulted in improved cash balance sheets as more companies keep cash rather than investing. The financial crisis in 2008 resulted in a flight to quality in the banking industry. Those high quality banks saw an influx of deposits from customers who were seeking to eliminate riskier investments for the safety that the banks provided. Today those banks have a tremendous amount of excess deposits on hand as customers slowly return to other investments. In an effort to get their balance sheets closer to a 1:1 ratio of loans to deposits, banks are continuing to keep their lending rates at historic lows. Additionally, the federal reserve board continues to leave interest rates at historically low levels. These events have led to WEDC’s loan program looking less advantageous to potential borrowers as they can get similarly low rates in the marketplace, without the additional government regulations. WEDC is current looking at ways to improve the marketability of our loan program.

Some of the more significant items that are included in the fiscal year 2014 operations plan and budget are:

ECONOMIC DEVELOPMENT TOOLS

WEDC will deploy Salesforce, a powerful customer relationship management (CRM) solution across the state's economic development network to facilitate real-time data sharing and foster collaboration among partner organizations working collectively to retain and expand Wisconsin businesses.

The agency will also introduce a more user-friendly searchable database to track its investments. This online reporting tool will feature more complete award outcome information than is currently featured and an interactive map that allows users to filter data according to a geographic, industry, program and other parameters.

MINORITY BUSINESS DEVELOPMENT

WEDC's fiscal year 2014 plan calls for full activation of four minority business revolving loan funds through minority chambers of commerce in Wisconsin and extends needed technical assistance to effectively activate these funds.

COMMUNITY DEVELOPMENT

WEDC is introducing two new programs to increase the resources available to redevelop Wisconsin's downtowns and industrial sites. The Idle Industrial Sites Redevelopment Program offers grants to Wisconsin communities for implementation of redevelopment plans for large industrial sites that have been idle, abandoned or underutilized for a period of at least five years. The Community Development Investment Grant Program will support urban, small city and rural community development efforts by providing financial incentives for shovel-ready projects.

ENTREPRENEURISM

WEDC's support for entrepreneurs is demonstrated in its continued financial commitment through WEDC investment programs and partner organizations. Partners such as the Wisconsin Women's Business Initiative Corporation and the Center for Technology Commercialization provide a statewide network of resources and expertise with the goal of helping high-potential new businesses, including minority-owned business, move forward. WEDC also aims to increase startup activity by expanding its Seed Accelerator Program, which implements innovative business modeling, financing and mentoring. Investment capital for Wisconsin startups and emerging growth companies is supported through the Qualified New Business Venture tax credit program and WEDC's Capital Catalyst Program, which coinvests in seed financing to provide critically-needed capital to advance startups and innovative businesses. WEDC will also enhance collaborative efforts with the University of Wisconsin System, including partnering with the University of Wisconsin-Madison and pursuing funding for commercialization activities throughout the state.

GLOBAL BUSINESS DEVELOPMENT

WEDC will plan and execute six trade ventures designed to match Wisconsin companies with international business opportunities in priority markets around the world. In addition to collaborative international business development trips such as the Midwest U.S.-Japan Conference in Tokyo, WEDC is planning international trade ventures include Columbia, Chile and Brazil; Russia, Poland and the Czech Republic; Asia (Inbound); Singapore and Indonesia; United Arab Emirates and Saudi Arabia; and India.

INDUSTRY ADVANCEMENT

WEDC will also help address Wisconsin's skills gap challenges with high-impact workforce development pilot programs deployed statewide and the implementation of a workforce retention/layoff aversion initiative coordinated with Workforce Development Boards throughout the state.

WEDC will continue to make strategic investments in targeted industry development to promote industry growth, employment growth and new business creation in priority industry sectors that have the most promising potential for short-term and long-term positive economic impact.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wisconsin Economic Development Corporation'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 53701.

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

As of June 30, 2013

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 69,981,608
Accounts receivable	25,920
Due from other governments	941,264
Prepaid items	452,301
Loans receivable (net of allowance of \$31,420,508)	29,121,457
Interest on loans receivable (net of allowance of \$1,764,968)	830,797
Capital Assets	
Other capital assets, net of depreciation	<u>1,037,799</u>
Total Assets	<u>102,391,146</u>
LIABILITIES	
Accounts payable	1,965,267
Accrued liabilities	3,305,944
Unearned revenues	15,000
Noncurrent Liabilities	
Due within one year	138,942
Due in more than one year	<u>2,088,934</u>
Total Liabilities	<u>7,514,087</u>
NET POSITION	
Net investment in capital assets	934,111
Restricted for:	
Economic development	16,378,050
Brownfield site assessments	1,606,524
Unrestricted	<u>75,958,374</u>
TOTAL NET POSITION	<u>\$ 94,877,059</u>

See accompanying notes to financial statements.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General administration	\$ 19,848,912	\$ 818,021	\$ 229,524	\$ -	\$ (18,801,367)
Marketing and communication	2,852,310	-	-	-	(2,852,310)
Economic development	20,820,325	-	4,951,920	-	(15,868,405)
Interest and fiscal charges	96,700	-	-	-	(96,700)
Total Governmental Activities	<u>\$ 43,618,247</u>	<u>\$ 818,021</u>	<u>\$ 5,181,444</u>	<u>\$ -</u>	<u>(37,618,782)</u>
General Revenues					
Intergovernmental revenues not restricted to specific programs					
State general purpose revenues					32,049,088
Segregated funds					23,189,200
Interest income					837,391
Miscellaneous					891,168
Total General Revenues					<u>56,966,847</u>
Change in Net Position					19,348,065
NET POSITION - BEGINNING OF YEAR (RESTATED)					<u>75,528,994</u>
NET POSITION - END OF YEAR					<u>\$ 94,877,059</u>

See accompanying notes to the financial statements.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013

	General
ASSETS	
Cash and cash equivalents	\$ 69,981,608
Accounts receivable	25,920
Due from other governments	941,264
Prepaid items	452,301
Loans receivable (net of allowance of \$31,420,508)	29,121,457
Interest on loans receivable (net of allowance of \$1,764,968)	830,797
TOTAL ASSETS	\$ 101,353,347
LIABILITIES	
Accounts payable	\$ 1,965,267
Accrued awards	2,885,836
Accrued wages	198,222
Unearned revenues	15,000
Payroll related liabilities	221,886
Total Liabilities	5,286,211
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	738,248
Total Deferred Inflows of Resources	738,248
FUND BALANCES	
Nonspendable - prepaids	452,301
Nonspendable - long-term receivables	29,121,457
Restricted for	
Economic development	16,378,050
Brownfield site assessment	1,606,524
Assigned for	
Loan guarantees	1,184,271
Subsequent years' budget	2,651,000
Note payable to State of Wisconsin	1,541,743
Open contracts and commitments	8,345,280
Unassigned	34,048,262
Total Fund Balances	95,328,888
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 101,353,347

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, 2013**

Fund balances - total governmental funds	\$ 95,328,888
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	655,484
Furniture and fixtures	145,800
Leasehold improvements	240,911
Vehicles	154,432
Less: accumulated depreciation	<u>(158,828)</u>
Total adjustment for capital assets	<u>1,037,799</u>
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.	
	738,248
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	
Capital leases	(108,649)
Compensated absences	(608,901)
Notes payable to State	<u>(1,510,326)</u>
Total adjustment for long-term obligations	<u>(2,227,876)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 94,877,059</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, 2013**

	<u>General</u>
REVENUES	
Intergovernmental	\$ 60,419,732
Charges for services	320,281
Interest on loans	806,294
Other revenues	922,265
Total Revenues	<u>62,468,572</u>
EXPENDITURES	
Current	
General administration	19,510,784
Marketing and communication	2,754,902
Economic development	20,554,445
Capital Outlay	934,967
Debt Service	
Principal retirement	88,607
Interest and fiscal charges	96,700
Total Expenditures	<u>43,940,405</u>
Net Change in Fund Balance	18,528,167
FUND BALANCES - BEGINNING OF YEAR (RESTATED)	<u>76,800,721</u>
FUND BALANCES - END OF YEAR	<u>\$ 95,328,888</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, 2013**

Net change in fund balances - total governmental funds	\$ 18,528,167
Amounts reported for governmental activities in the statement of activities are different because:	
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	934,967
Some items reported as capital outlay were not capitalized	(108,747)
Depreciation is reported in the government-wide statements	(115,535)
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	
Current year receivables added to revenue	497,740
The issuance of debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. 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	(422,032)
Principal repaid	88,607
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	<u>(55,102)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 19,348,065</u>

See accompanying notes to financial statements.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the Year Ended June 30, 2013

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental				
Federal SSBCI	\$ 6,000,000	\$ 3,500,000	\$ 3,885,000	\$ 385,000
Community development block grant	17,000,000	125,000	50,576	(74,424)
State energy program (SEP)	6,500,000	340,816	16,344	(324,472)
STEP	-	50,000	187,742	137,742
State general purpose revenue (GRP)	31,401,767	32,049,088	32,049,088	-
State economic development fund (SEG)	23,189,200	23,189,200	23,189,200	-
State brownfield site assessment	1,694,500	1,000,000	1,000,000	-
Other intergovernmental revenues	-	28,410	41,782	13,372
Total Intergovernmental	<u>85,785,467</u>	<u>60,282,514</u>	<u>60,419,732</u>	<u>137,218</u>
Charges for Services				
Loan origination fees	500,000	79,599	243,333	163,734
Participation reimbursements	500,000	762,500	76,948	(685,552)
Total Charges for Services	<u>1,000,000</u>	<u>842,099</u>	<u>320,281</u>	<u>(521,818)</u>
Interest on loans	<u>3,000,000</u>	<u>1,710,691</u>	<u>806,294</u>	<u>(904,397)</u>
Other Revenues				
Interest on investments	-	35,542	31,097	(4,445)
Miscellaneous revenue	-	501,600	891,168	389,568
Total Other Revenues	<u>-</u>	<u>537,142</u>	<u>922,265</u>	<u>385,123</u>
TOTAL REVENUES	<u>89,785,467</u>	<u>63,372,446</u>	<u>62,468,572</u>	<u>(903,874)</u>
EXPENDITURES				
Current				
General Administration				
Legal and compliance	627,257	625,000	625,214	(214)
Executive office	835,818	707,800	797,923	(90,123)
Human resources	229,252	547,504	575,142	(27,638)
Finance	2,075,566	12,718,900	15,198,047	(2,479,147)
Information technology	783,193	1,221,506	1,209,014	12,492
Credit and risk	962,158	873,100	891,168	(18,068)
Process improvement	242,996	290,600	285,784	4,816
Office of public policy	484,911	312,500	317,024	(4,524)
Total General Administration	<u>6,241,151</u>	<u>17,296,910</u>	<u>19,899,316</u>	<u>(2,602,406)</u>

See accompanying notes to financial statements.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

For the Year Ended June 30, 2013

(concluded)

	<u>Original Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Marketing and Communications	\$ 2,658,249	\$ 3,349,246	\$ 3,330,751	\$ 18,495
Economic Development				
Entrepreneurship and innovation	10,311,103	3,345,600	2,033,410	1,312,190
Economic and community development	75,018,402	13,739,761	12,719,752	1,020,009
Business and industry development	8,584,669	9,278,272	3,910,189	5,368,083
International	1,296,802	2,523,783	1,930,704	593,079
Commerce carry over contracts	-	5,331,231	-	5,331,231
Total Economic Development	<u>95,210,976</u>	<u>34,218,647</u>	<u>20,594,055</u>	<u>13,624,592</u>
Debt Service				
Principal retirement	-	-	23,181	(23,181)
Interest and fiscal charges	-	-	93,102	(93,102)
Total Debt Service	<u>-</u>	<u>-</u>	<u>116,283</u>	<u>(116,283)</u>
 TOTAL EXPENDITURES	 <u>104,110,376</u>	 <u>54,864,803</u>	 43,940,405	 <u>10,924,398</u>
 Net Change in Fund Balance	 <u>\$(14,324,909)</u>	 <u>\$ 8,507,643</u>	 18,528,167	 <u>\$ 10,020,524</u>
 FUND BALANCES - BEGINNING OF YEAR (RESTATED)			 <u>76,800,721</u>	
 FUND BALANCES - END OF YEAR			 <u>\$ 95,328,888</u>	

See accompanying notes to financial statements.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

On February 9, 2011, the Wisconsin Legislature passed legislation creating an authority, 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 the governor, 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 nonvoting 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

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. This statement also modified the requirements for presenting component units as blended funds of the primary government.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in June 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in March 2012. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, in April 2013. This statement outlines the disclosure requirements for governments that provide nonexchange financial guarantees and provides guidance on when a liability is required to be recorded for these guarantees.

WEDC implemented these statements as of July 1, 2012.

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 nonexchange 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.

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 funds. The emphasis of fund financial statements is on major governmental each displayed in a separate column.

WEDC reports the following major governmental funds:

General Fund - accounts for all of WEDC's activities.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

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 loan: loans to be repaid and forgivable loans. Loans to be repaid include loans made to businesses that have established repayment schedules. Forgivable 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 loan program type plus an adjustment for specific loans with known amendments in progress. WEDC also provides an allowance equal to the balance of all forgivable loans since it is anticipated that all conditions for forgiveness will be met by the loan recipient.

3. Inventories and Prepaid Items

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.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

4. Capital Assets

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

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. WEDC does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. WEDC reports deferred inflows for unavailable revenue, within its governmental funds balance sheet. The governmental funds report unavailable revenues for revenues which are earned and measurable but not available. These amounts are recognized as an inflow of resources in the period that the amounts become available.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

6. *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.

7. *Long-Term Obligations*

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

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.

8. *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 that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

9. *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.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

- b. Restricted net position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned.

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

WEDC's highest level of decision making authority is WEDC Board and commitments made by WEDC Board are done through the adoption of a resolution passed by the majority of the twelve member board.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

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

WEDC Board adopted FIN 104 Fund Balance Policy which established an assignment of fund balance to fund outstanding loan guarantees should they become payable by WEDC. This policy also delegated authority to WEDC's Chief Executive Officer and Chief Financial Officer to establish other assignments.

- Unassigned – fund balance is the residual classification for the General Fund and negative fund balances within other governmental funds.

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.

WEDC's fund balance policy includes a minimum fund balance policy. This policy states that WEDC shall maintain its unassigned fund balance between 15% and 25% total revenues. If unassigned fund balance is outside of this target, management will develop a plan to bring unassigned fund balance back to the target range in a sustainable manner that does not create future structural budget deficits.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

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 majority of the Board.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations are as follows:

Fund	Final Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Fund			
Legal and compliance	\$ 625,000	\$ 625,214	\$ (214)
Executive office	707,800	797,923	(90,123)
Human resources	547,504	575,142	(27,638)
Finance	12,718,900	15,198,047	(2,479,147)
Credit and risk	873,100	891,168	(18,068)
Office of public policy	312,500	317,024	(4,524)
Debt service	-	116,283	(116,283)

Finance department expenditures include the allowance for bad debts expenditures. The excess of expenditures over appropriations were financed with current year revenue sources and available fund balances.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

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	\$ 7,874,013	\$ 4,981,608	Custodial credit risk
Commercial paper	65,000,000	65,000,000	Custodial credit, credit, concentration of credit, and interest rate risks
Per Statement of Net Position	<u>\$72,874,013</u>	<u>\$69,981,608</u>	

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

WEDC chooses to limit our cash and investments to the following:

- a. Checking and saving accounts;
- b. Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation, such as the Local Government Investment Pool and Wisconsin Investment Series Cooperative;
- c. Certificates of deposits (fully FDIC insured for principal) and certificates of deposit purchased through the Certificate of Deposit Account Registry Service (CDARS);
- d. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of only of dollar-denominated securities;
- e. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government;
- f. Bonds of any county, city, drainage district, technical college, WEDC, town or school district of this state;
- g. Commercial paper if rated in the highest or second highest tier (e.g. A-1, A-2, P-1, P-2, F1 or F2) by a nationally recognized rating agency; and
- h. 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. The WEDC shall be informed of the specific collateral and investments in the repurchase agreements and the agreement shall be collateralized at least 103% of the value of the WEDC's investment.
- i. WEDC may make or hold equity positions in corporations for economic development programming purposes. Those positions would be required to be reported as investments for financial reporting purposes. This policy is not intended to set forth guidelines for those programs, should they be established, but rather to recognize those investments would be permitted under this policy. It is not intended that WEDC take equity positions solely for investment purposes.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

Custodial Credit Risk

Deposits

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.

At year end \$7,624,013 was exposed to custodial credit risk as it was uninsured and uncollateralized.

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. At year end \$65,000,000 of WEDC's commercial paper was exposed to custodial credit risk.

Policy

WEDC's investment policy was effective July 2013. The policy allows for an exception to the policy for accounts and balances that were in place prior to the adoption of the policy.

The new policy requires all deposits above Federal Depository Insurance limits that are not registered in WEDC's name, be collateralized by securities specifically pledged to WEDC. 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 103% of the uninsured balance.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. As of June 30, 2013, all of WEDC's cash and investments were liquid.

WEDC's investment policy restricts investments to those with a maturity date less than five years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2013, WEDC's commercial paper was rated P-1 by Moody's.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

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, \$738,248 was considered to be earned but not available and \$15,000 was available but unearned.

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. Forgivable loans are considered to be uncollectible as it is anticipated that the businesses will meet the specified criteria. The loans have varying interest rates and maturities. Interest accrued but not received on outstanding loans is recorded as interest receivable. Similar to the loans themselves, an allowance has been provided for uncollectible interest on the outstanding balance. Interest accrued on forgivable loans is also considered to be uncollectible. Detail of the outstanding loans and interest receivable as of June 30, 2013 is as follows:

	Repayable Loans	Forgivable Loans	Total
Loans receivable	\$38,070,216	\$22,471,749	\$60,541,965
Allowance for uncollectible	<u>(8,948,759)</u>	<u>(22,471,749)</u>	<u>(31,420,508)</u>
Net loans receivable	<u>\$29,121,457</u>	<u>\$ -</u>	<u>\$29,121,457</u>
Interest receivable	\$ 1,056,496	\$ 1,539,269	\$ 2,595,765
Allowance for uncollectible	<u>(225,699)</u>	<u>(1,539,269)</u>	<u>(1,764,968)</u>
Net interest receivable	<u>\$ 830,797</u>	<u>\$ -</u>	<u>\$ 830,797</u>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Capital Assets	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated				
Software	\$ 255,585	\$ 399,899	\$ -	\$ 655,484
Furniture and fixtures	-	145,800	-	145,800
Leasehold improvements	-	240,911	-	240,911
Vehicles	114,822	39,610	-	154,432
Total Capital Assets Being Depreciated	<u>370,407</u>	<u>826,220</u>	<u>-</u>	<u>1,196,627</u>
Less: Accumulated Depreciation for				
Software	24,761	67,747	-	92,508
Furniture and fixtures	-	10,125	-	10,125
Leasehold improvements	-	9,163	-	9,163
Vehicles	18,532	28,500	-	47,032
Total Accumulated Depreciation	<u>43,293</u>	<u>115,535</u>	<u>-</u>	<u>158,828</u>
Total Capital Assets	<u>\$ 327,114</u>	<u>\$ 710,685</u>	<u>\$ -</u>	<u>\$ 1,037,799</u>

Depreciation expense was charged to functions as follows:

Depreciation	
General administration	\$ 62,056
Marketing	32,955
Economic development	<u>20,524</u>
Total Depreciation Expense	<u>\$ 115,535</u>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2013 was as follows:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance	Current
Long Term Obligations					
Capital lease	\$ 174,075	\$ -	\$ 65,426	\$ 108,649	\$ 76,331
Compensated absences	553,799	670,748	615,646	608,901	-
Notes payable - State of Wisconsin	<u>1,111,475</u>	<u>422,032</u>	<u>23,181</u>	<u>1,510,326</u>	<u>62,611</u>
Total Long Term Obligations	<u>\$1,839,349</u>	<u>\$1,092,780</u>	<u>\$704,253</u>	<u>\$2,227,876</u>	<u>\$138,942</u>

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

Capital Lease

WEDC purchased a phone system in fiscal year 2012 with a capital lease. The phone system has been included in capital assets with an original cost of \$224,585 and an estimated useful life of five years and depreciation of \$44,917 in fiscal year 2013. The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2014	\$ 78,464
2015	32,179
Total minimum payments	<u>110,643</u>
Less: amount representing interest	<u>(2,367)</u>
Present value of minimum lease payments	<u>\$108,276</u>

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 Wisconsin Retirement System. The first of these bonds was issued in 2003 and the current final maturity for all of the bonds is in 2032. The State has issued a total of five debt issuances, of which two are variable rate instruments. The total outstanding balance of all of these debt issuances was \$1,791,395,000 as of June 30, 2013. The full details of these debt issues can be found within the State of Wisconsin's annual finance statements.

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

Under the current process, WEDC was assessed \$79,015 in August, 2012 and \$116,283 in August 2013. The amount reported as WEDC's share of the total outstanding debt is calculated at 0.086% as of June 30, 2013, 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 below shows the future payments under this obligation as currently calculated.

Year	Governmental Activities Notes Payable	
	Principal	Interest
2014	\$ 62,611	\$ 79,480
2015	38,707	76,606
2016	44,142	75,912
2017	50,162	74,802
2018	369,214	73,289
2019 - 2023	197,431	255,167
2024 - 2028	481,842	160,213
2029 - 2032	<u>266,217</u>	<u>34,711</u>
Total	<u>\$ 1,510,326</u>	<u>\$ 830,180</u>

E. LEASE DISCLOSURES

Lessee - Operating Leases

WEDC has entered into six leases for office space with various entities. Following is a schedule, by years, of future minimum rental payments required under the terms of the long-term operating leases.

Year	Future Minimum Rental
2014	\$ 467,943
2015	444,028
2016	444,028
2017	444,028
2018	111,007
Total	<u>\$ 1,911,034</u>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

F. LOAN GUARANTEES

Part of WEDC's mission includes providing loan guarantees to local businesses to aid in economic development and job creation. WEDC has guaranteed four bank loans for businesses within the State.

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

Original Guarantee Amount	Remaining Balance of Guarantee	Guarantee Agreement Date	Date of Final Maturity
\$ 240,000	\$ 240,000	May 18, 2012	May 18, 2014
75,000	61,771	June 29, 2012	June 29, 2017
562,500	562,500	January 30, 2013	January 30, 2017
320,000	320,000	March 18, 2013	March 18, 2022

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible WEDC employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1200 hours for employees hired after July 1, 2011) are eligible to participate in the System. All WEDC employees are considered General category employees for purposes of the System. Covered employees in the General category are required by statute to contribute one half of the actuarially determined contribution rate. Contribution rates were as follows:

	<u>7/1/12 - 12/31/12</u>	<u>1/1/13 - 6/30/13</u>
Employee percentage	5.90%	6.50%
Employer percentage	5.90%	6.50%

The payroll for WEDC employees covered by the System for the year ended June 30, 2013 was \$5,714,312; the employer's total payroll was \$6,023,731. The total required contribution for the year ended June 30, 2013 was \$744,887 or 13.04% of covered payroll. Of this amount, \$372,444 or 6.52% was contributed by each the employer and the employees. Total contributions for the year ending June 30, 2012 were \$516,048, equal to the required contributions. For the year ending June 30, 2012, WEDC contributed \$258,024 or 50.0% and \$258,024, or 50.0% was contributed by employees. Since WEDC did not operate prior to July 1, 2011 there were no contributions for prior years.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service or 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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 System eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

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

WEDC has entered into contracts and provides offers of financial assistance to businesses and partners in the state for future financial assistance. The remaining unexpended balance on these contracts and commitments has been reported as either restricted or assigned fund balance as appropriate. At year end, \$26,329,854 was reported in total for these contracts, \$17,984,574 as restricted fund balance, and \$8,345,280 as assigned fund balance.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2013

D. RESTATEMENT OF NET POSITION AND FUND BALANCES

Portions of the previous year's financial statements have been restated to reflect that certain revenues recognized in previous years were not available to finance current liabilities. Additionally the note payable to the State had not been recognized as a long term liability in the previously stated financial statements. The beginning equity balances have been restated to reflect those amounts as follows:

Fund Balance	General Fund
As previously reported	\$ 77,041,229
Revenue recognized in previous years but not available	(240,508)
Fund Balance as Restated	<u>\$ 76,800,721</u>

Net Position	Governmental Activities
As previously reported	\$ 76,614,288
Capital assets not previously reported	200,256
Capital lease obligation not previously reported	(174,075)
Note Payable - State not previously reported	(1,111,475)
Net Position as Restated	<u>\$ 75,528,994</u>

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. 66, *Technical Corrections – 2013 – an Amendment of GASB Statements No. 10 and No. 62*, issued March 2013. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for fiscal years beginning after December 15, 2012.
- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, issued June 2012. This statement establishes the financial reporting and disclosure requirements related to pensions. This guidance primarily provides regulations for the entity providing a trust arrangement for other governments or for individual pension plans. This statement is effective for fiscal years beginning after June 15, 2013.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2013

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, issued June 2012, which provides guidance related to pensions for governments whose employees are provided with pensions administered through a trust arrangement. This statement is effective for fiscal years beginning after June 15, 2014.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. This statement provides guidance on classifying government combinations as mergers, acquisitions, or transfers and disposals of operations and provides accounting, financial reporting, and disclosure requirements for these transactions. This statement is effective for fiscal years beginning after December 15, 2013.

The effective date for each of these statements 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.

STATISTICAL
SECTION

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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	Pages
Financial Trends These schedules contain trend information to help the reader understand how WEDC's financial performance and well-being have changed over time.	46 - 49
Revenue Capacity These schedules contain information to help the reader assess WEDC's most significant own-source revenue source, interest on loans	50 - 51
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.	52
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.	53 - 55
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.	56 - 59

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 Two Years

	Fiscal Year	
	(As Restated)	
	2012	2013
Expenses		
General administration	\$ 13,056,584	\$ 19,848,912
Marketing and communication	1,202,147	2,852,310
Economic development	13,056,977	20,820,325
Interest and fiscal charges	67,209	96,700
Total Government Activities Expenses	<u>27,382,917</u>	<u>43,618,247</u>
Program Revenues		
Charges for services	936,876	818,021
Operating grants and contributions	<u>46,074,090</u>	<u>5,181,444</u>
Total Governmental Activities Program Revenues	<u>47,010,966</u>	<u>5,999,465</u>
Net (Expense)/Revenue	19,628,049	(37,618,782)
General Revenues and Other Changes in Net Position		
Intergovernmental revenues not restricted to specific programs	55,207,206	55,238,288
Interest income	693,739	837,391
Miscellaneous	-	891,168
Total Governmental Activities General Revenues	<u>55,900,945</u>	<u>56,966,847</u>
Change in Net Position	<u>\$ 75,528,994</u>	<u>\$ 19,348,065</u>

Notes:

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

**FINANCIAL TRENDS
NET POSITION BY COMPONENT
Last Two Years**

	Fiscal Year	
	<u>(As Restated)</u>	
	<u>2012</u>	<u>2013</u>
Governmental Activities		
Net investment in capital assets	\$ 153,039	\$ 934,111
Restricted	15,249,905	17,984,574
Unrestricted	<u>60,126,050</u>	<u>75,958,374</u>
 Total	 <u>\$ 75,528,994</u>	 <u>\$ 94,877,059</u>

Notes:

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL TRENDS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Two Years

	Fiscal Year	
	(As Restated)	
	2012	2013
Revenues		
Intergovernmental	\$ 56,044,552	\$ 60,419,732
Charges for services	-	320,281
Interest on loans	693,739	806,294
Other revenues	936,876	922,265
Total Revenues	<u>57,675,167</u>	<u>62,468,572</u>
Expenditures		
Current		
General administration	12,972,916	19,510,784
Marketing and communication	1,152,183	2,754,902
Economic development	12,982,036	20,554,445
Capital Outlay	370,407	934,967
Debt Service		
Principal	67,312	88,607
Interest and fiscal charges	67,209	96,700
Total Expenditures	<u>27,612,063</u>	<u>43,940,405</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	30,063,104	18,528,167
Other Financing Sources (Uses)		
Proceeds on capital lease	224,585	-
Contributions from State of Wisconsin	46,513,032	-
Total Other Financing Sources (Uses)	<u>46,737,617</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 76,800,721</u>	<u>\$ 18,528,167</u>
Capital Asset Additions	<u>\$ 370,407</u>	<u>\$ 826,220</u>
Debt service as a percentage of noncapital expenditures	0.5%	0.4%

Notes:

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

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

**FINANCIAL TRENDS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Two Years**

	Fiscal Year	
	(As Restated)	
	2012	2013
General Fund		
Nonspendable	\$ 33,527,569	\$ 29,573,758
Restricted	15,249,905	17,984,574
Assigned	-	13,722,294
Unassigned	28,023,247	34,048,262
Total General Fund	<u>\$ 76,800,721</u>	<u>\$ 95,328,888</u>

Notes:

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

REVENUE CAPACITY
COLLECTIBLE LOAN BALANCES
Last Two Fiscal Years

Program	Loan Balance 2012	Interest Rate 2012	Loan Balance 2013	Interest Rate 2013
Technology business development investments	\$ 12,065,512	2.6%	\$ 12,221,002	2.7%
Business expansion and retention investment	6,596,272	2.0%	10,712,994	2.0%
Wisconsin venture debt fund (SSBCI)	-	0.0%	3,885,000	4.9%
Wisconsin energy independence fund	1,672,737	2.0%	1,537,989	2.0%
Commerce - other	<u>16,350,610</u>	2.3%	<u>9,713,231</u>	2.4%
Total Balance	<u>\$ 36,685,132</u>		<u>\$ 38,070,216</u>	

Notes:

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

REVENUE CAPACITY
TEN LARGEST LOANS
Last Two Fiscal Years

Collectible Loan	Rank	Loan Balance 2012	Percent of Total	Rank	Loan Balance 2013	Percent of Total
Kestrel Aircraft Company	1	\$ 2,000,000	5.5%	1	\$ 2,000,000	5.3%
Flambeau River Biofuels Financial Group, Inc.	2	2,000,000	5.5%	2	1,981,895	5.2%
J.L. French, LLC	3	1,386,133	3.8%	3	1,124,342	3.0%
Green Box NA Green Bay, LLC	4	1,116,000	3.0%	4	1,116,000	2.9%
Flambeau River Biofuels Financial Group, Inc.	5	1,000,000	2.7%	5	1,000,000	2.6%
Milwaukee Forge, LLC	6	871,627	2.4%	6	731,329	1.9%
Flambeau River Papers, LLC	7	727,350	2.0%	10	516,547	1.4%
Prolitec Inc.	8	650,890	1.8%	9	522,531	1.4%
Flambeau River Papers, LLC	9	624,355	1.7%	7	560,405	1.5%
Flambeau River Papers, LLC	10	624,321	1.7%	8	556,738	1.5%
		<u>11,000,677</u>	<u>30.0%</u>		<u>10,109,787</u>	<u>26.6%</u>
Total Loans Outstanding		<u>\$ 36,685,132</u>			<u>\$ 38,070,216</u>	

Notes:

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEBT CAPACITY
DEBT SERVICE COVERAGE
Last Two Calendar Years

	<u>2012</u>	<u>2013</u>
Wisconsin Personal Income * (in millions)	\$ 232,129	\$ 232,129
Notes Payable to State		
Principal	16,802	23,181
Interest	<u>62,249</u>	<u>86,641</u>
Total	<u>79,051</u>	<u>109,822</u>
Capital Lease		
Principal	65,426	48,725
Interest	<u>3,598</u>	<u>4,960</u>
Total	<u>69,025</u>	<u>53,686</u>
Total Debt		
Principal	82,228	71,906
Interest	<u>65,848</u>	<u>91,601</u>
Total	<u>\$ 148,076</u>	<u>\$ 163,508</u>
Debt Service Coverage Ratio	1,567,636	1,419,682

Notes:

* personal income for 2013 is not yet available, 2012 used as a comparison

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

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION
PERSONAL INCOME STATISTICS
Last Two 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
2011	5,712	311,595	\$ 226,042	\$ 12,949,905	\$ 39,575	\$ 41,560	4.1%	4.4%
2012	5,726	313,913	232,129	13,401,868	40,537	42,693	2.4%	2.7%
2013	-	-	Not Available	-	-	-	-	-

Notes:

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Sources:

Bureau of Business and Economic Research

<http://bber.unm.edu/econ/us-pci.htm>

<http://bber.unm.edu/econ/us-tpi.htm>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION
EMPLOYMENT STATISTICS
Last Two Fiscal Years

Employment
(In Thousands Except Unemployment Rates Data)

Year	Civilian Labor Force	Total Employed	Total Unemployed	Wisconsin Unemployed Rate	U.S. Unemployed Rate
2012	3,059	2,838	220	7.2%	8.5%
2013	3,056	2,844	212	6.9%	7.8%

Notes:

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

Sources:

Wisconsin Department of Workforce Development

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

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Two Calendar Years

Principal Employers State of Wisconsin 2011

Employer	Employees	Rank
Wal-Mart Associates, Inc.	Greater than 9,999	1
UW - Madison	Greater than 9,999	2
US Postal Office	Greater than 9,999	3
Milwaukee Public Schools	Greater than 9,999	4
Department of Correction	Greater than 9,999	5
Menards Inc.	7,500 - 9,999	6
City of Milwaukee	7,500 - 9,999	7
Marshfield Clinic	5,000 - 7,499	8
Departments of Veterans Affair	5,000 - 7,499	9
Aurora Health Care Metro, Inc.	5,000 - 7,499	10

Principal Employers State of Wisconsin 2012

Employer	Employees	Rank
Wal-Mart Associates, Inc.	Greater than 9,999	1
UW - Madison	Greater than 9,999	2
Milwaukee Public Schools	Greater than 9,999	4
US Postal Office	Greater than 9,999	3
Department of Correction	7,500 - 9,999	5
Menards Inc.	7,500 - 9,999	6
Marshfield Clinic	7,500 - 9,999	7
Departments of Veterans Affair	7,500 - 9,999	8
City of Milwaukee	5,000 - 7,499	9
University of WI Hospitals & Clinics	5,000 - 7,499	10

Notes:

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2013 data is not available at this time. 2011 has been presented as additional information.

Source:

<http://worknet.wisconsin.gov/worknet/largemp.aspx?menuselection=ed>

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
EMPLOYEES BY FUNCTION / PROGRAM
Last Two Years

Function/Program	2012		2013	
	Permanent	Temporary/ Project	Permanent	Temporary/ Project
General Administration				
Legal and compliance	7.0	0.3	4.0	1.0
Executive office	5.0	1.2	8.0	-
Human resources	3.0	0.3	2.0	-
Finance	5.0	-	4.0	-
Information technology	5.0	-	4.0	1.0
Credit and risk	13.0	-	10.0	-
Process improvement	-	-	2.0	-
Office of public policy	3.0	-	4.0	-
Customer service	-	-	2.0	-
Economic Development				
Entrepreneurship and innovation	5.0	-	4.0	-
Economic and community development	23.0	0.4	19.0	1.0
Business and industry development	9.0	-	9.0	-
International business development	5.0	2.3	7.0	2.0
Marketing and Communications	<u>7.0</u>	<u>-</u>	<u>5.0</u>	<u>-</u>
Total Staff	<u>90.0</u>	<u>4.5</u>	<u>84.0</u>	<u>5.0</u>

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION
Last Two Years

(continued)

Program	Awards Made	
	2012	2013
Entrepreneurship and Innovation		
Grants		
Capital catalyst program	1	2
Technology business development investments	2	-
Entrepreneurial micro-grant	-	1
Seed accelerator program	-	2
Loans		
Technology business development investments	8	7
Wisconsin venture debt fund	-	7
Investor Credits		
Qualified New Business Venture	29	45
Qualified Venture Fund	5	5
Economic and Community Development		
Grants		
Brownfields grants	15	10
Site assessment grants	4	9
Business retention and expansion	2	2
Workforce training grants	6	6
Forward innovation fund	1	-
State energy program	1	-
Capacity building program	-	4
Community development program	-	5
Loans		
Business retention and expansion	11	10
Milk volume production (RED)	1	-
State energy program	3	-
Forgivable loans		
Business retention and expansion	9	5
Loan guarantees		
Business retention and expansion	1	3

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION
Last Two Years

(concluded)

Program	Awards Made	
	2012	2013
Tax credits		
Development opportunity zone	6	-
Economic development tax credit	74	82
Enterprise zone jobs tax credit	3	1
Jobs tax credit	11	8
Bonding authority		
Industrial revenue bond	4	3
Midwestern disaster area bond	25	15
Qualified energy conservation bond	2	-
Business and Industry Development		
Grants		
Target industry projects	2	2
Opportunity research projects	1	1
Minority revolving loan fund	-	2
International Business Development		
Grants		
Export development grants	2	1
International market access grants	23	30
Wisconsin trade projects	3	-
ExporTech	-	2
Total Awards Contracted	<u>255</u>	<u>270</u>

Notes:

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WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

**OPERATING INFORMATION
SCHEDULE OF CAPITAL ASSETS
Last Two Years**

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>
General Administration		
Computer software	-	1
Leasehold improvements	-	2
Vehicles	1	2
Economic Development		
Vehicles	5	6
Marketing and Communications		
Computer software	1	2
Furniture and fixtures	-	1
	<hr/>	<hr/>
Total Capital Assets	<u>7</u>	<u>14</u>

Notes:

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The Wisconsin Economic Development Corporation (WEDC) leads economic development efforts for the state by advancing Wisconsin's business climate. WEDC nurtures business growth and job creation by providing resources, technical support and financial assistance to companies, partners and communities in Wisconsin. WEDC has four focus areas: business and industry development, economic and community development, entrepreneurship and innovation and international business development. Together with more than 600 regional and local business development partners, it represents a highly responsive and coordinated network.

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