



WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

A component unit of the  
State of Wisconsin





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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Including Independent Auditors' Report

For the Fiscal Year Ended

June 30, 2017

Prepared by:

The Dedicated Staff of WEDC's Finance Division

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# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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As of and For the Year Ended June 30, 2017

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A low-angle, upward-looking photograph of a classical building facade. Two large, fluted columns frame a tall, arched window. The window is divided into several panes and reflects a bright blue sky with white clouds. Above the window, a decorative pediment features a golden statue of a hand reaching upwards. The word "INTRODUCTION" is overlaid in large, white, bold, sans-serif capital letters across the upper portion of the image.

# INTRODUCTION



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October 27, 2017

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

The Comprehensive Annual Financial Report of Wisconsin Economic  
Development Corporation (WEDC) as of and for the year ended June 30,  
2017, is herein submitted.

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

Sikich LLP has issued an unmodified (“clean”) opinion on Wisconsin  
Economic Development Corporation’s financial statements for the year  
ended June 30, 2017. The independent auditor’s report is located at the  
front of the financial section of this report. Management’s discussion and  
analysis (MD&A) immediately follows the independent auditor’s report and  
provides a narrative introduction, overview, and analysis of the basic  
financial statements. The MD&A complements this letter of transmittal and  
should be read in conjunction with it.

## **ABOUT WEDC**

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

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



201 W. Washington Avenue  
Madison, WI 53703

P.O. Box 1687  
Madison, WI 53701

608.210.6700  
855-INWIBIZ  
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## **LONG RANGE PLANNING AND FINANCIAL POLICIES**

In fiscal year 2017, WEDC expanded its long-range planning process by reaching out, and working with, our key strategic partners to align our organization's efforts with our partners to advance and maximize Wisconsin's opportunities for people, businesses and communities.

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

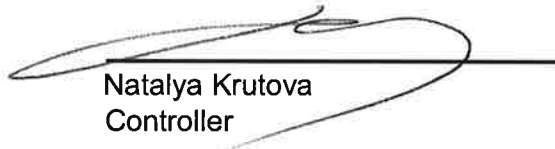
WEDC plans to continue working with our partners in fiscal year 2018 to further develop these goals as we also continue to work with our Board of Directors, staff, and stakeholders to improve our operational efficiency and effectiveness.

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

Respectfully submitted,



Brian Nowicki, CPA, CFA  
Chief Financial Officer



Natalya Krutova  
Controller



Government Finance Officers Association

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

Presented to

**Wisconsin Economic  
Development Corporation**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



Executive Director/CEO





WISCONSIN ECONOMIC  
DEVELOPMENT CORPORATION

# ORGANIZATIONAL CHART



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## Directory of Officials

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### **Board of Directors**

Lisa Mauer	Chair
David J. Drury	Treasurer
Nancy Hernandez	Vice Chair & Secretary
Rep. Peter Barca	Board Member
Raymond Dreger	Board Member
Sen Daniel Feyen	Board Member
Jim Ladwig	Board Member
Rep. Rob Hutton	Board Member
R.D. Nair	Board Member
C.Thomas Sylke	Board Member
Sen Tim Carpenter	Board Member
Vacant	Board Member
Richard Chandler	Ex-Officio – Department of Revenue
Scott Neitzel	Ex-Officio – Department of Administration

### **Administrators**

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

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A photograph of the Illinois State Capitol building, featuring its iconic dome and classical architecture. In the foreground, a bronze statue of a man stands to the left. Bare tree branches are visible on the left side of the frame. A large, semi-transparent white banner is positioned across the upper portion of the image, containing the text "FINANCIAL SECTION" in bold, white, sans-serif capital letters.

# FINANCIAL SECTION





13400 Bishops Lane, Suite 300  
Brookfield, Wisconsin 53005

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

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

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities and major fund of the Wisconsin Economic Development Corporation (WEDC), a component unit of the State of Wisconsin, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise WEDC's basic financial statements as listed in the accompanying table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the basic financial statements referred above present fairly, in all material respects, the financial position of Wisconsin Economic Development Corporation as of June 30, 2017, and the changes in financial position and the respective budgetary comparison statement for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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



We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, WEDC's basic financial statements for the year ended June 30, 2016, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities and major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WEDC's basic financial statements as a whole. The June 30, 2016 summarized information in the schedule of revenues, expenditures, and changes in fund balance - budget and actual - by object is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting information and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2016 summarized information in the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Sikich LLP*

Brookfield, Wisconsin  
October 27, 2017

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

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

**(Unaudited)**

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

### **FINANCIAL HIGHLIGHTS**

The more significant activity that impacted WEDC's government-wide financial picture during 2017 were:

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

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

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

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

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

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

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



201 W. Washington Avenue  
Madison, WI 53703

P.O. Box 1687  
Madison, WI 53701

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## GOVERNMENT-WIDE - STATEMENT OF NET POSITION

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

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

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

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

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

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

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

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

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

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

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

#### **GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES**

The Statement of Activities presents information showing how WEDC's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The table below summarizes the Statements of Activities for 2016 and 2017.

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

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

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

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

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

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

Miscellaneous revenues increased \$322,000, representing other revenues, including penalty fees and deferred revenues, which are primarily one-time in nature and are not expected to repeat in future years.

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WEDC only has one fund, a General Fund. The General Fund is a governmental fund type. The fund financial statements can be found on pages 22 and 24 of this report.

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

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



## **GENERAL FUND – FUND BALANCE**

At year end, WEDC's total fund balance was \$103.7 million. Total fund balance decreased in fiscal year 2017 to fund the deficit spending plan for fiscal year 2017. WEDC's general fund balance is categorized into four components:

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

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

Non-spendable fund balance of \$39.0 million primarily represents loans receivable from awardees. Although these loans represent assets to WEDC, the payments on them are not due in the near term and therefore are not available for spending.

Restricted fund balance of \$41.7 million and the restricted net position of the government-wide statement of fund balance, are very similar, both representing revenues that can only be used for certain purposes, primarily on economic development programs.

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

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

## **GENERAL FUND - BUDGETARY HIGHLIGHTS**

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 28-52 of this report. The information provided below on capital assets and long-term debt can also be found within the footnotes to the financial statements. The notes to the required supplementary information can be found on page 54.

### CAPITAL ASSETS

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

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

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

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

## LONG-TERM DEBT

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

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

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

## REQUESTS FOR INFORMATION

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

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

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF NET POSITION**

As of June 30, 2017

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

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

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

See accompanying notes to financial statements



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017

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

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
For the Year Ended June 30, 2017

Fund balances - total governmental funds		\$	103,682,397
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.			
Software	1,874,869		
Furniture and fixtures	145,800		
Leasehold improvements	409,244		
Vehicles	148,577		
Less: accumulated depreciation	(1,644,141)		
Total adjustment for capital assets			934,349
Deferred outflows related to pensions are not current finance resources and, therefore, are not reported in the government funds			3,231,002
Deferred inflows related to pensions are not current finance resources and, therefore, are not reported in the government funds			(1,907,259)
Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements.			619,957
Net pension liability are not current financial resources and, therefore, are not reported in the government funds			(402,113)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.			
The details of this adjustment are as follows			
Total compensated absences	(609,024)		
Compensated absences included in the fund financial statements	35,213		
Net adjustment for compensated absences		(573,811)	
Notes payable to State		(2,134,044)	
Total adjustment for long-term obligations			(2,707,855)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$</b>	<b>103,450,478</b>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

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

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

For the Year Ended June 30, 2017

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Net change in fund balances - total governmental funds	\$ (4,261,664)
Amounts reported for governmental activities in the statement of activities are different because:	
Net pension liabilities and related deferred inflows/outflows are not current financial resources and, therefore, are not reported in the governmental funds	(446,944)
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	302,819
Depreciation is reported in the government-wide statements	(480,952)
Receivables not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide statements	441,950
Repayments of debt is an expenditure in the governmental funds, but the reduces debt in the statement of net position.	
Notes payable annual recalculation adjustment	415,499
Principal repaid	81,424
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(72,328)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (4,020,197)</u></b>

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

For the Year Ended June 30, 2017

(continued)

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

See accompanying notes to financial statements

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Year Ended June 30, 2017

(concluded)

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

See accompanying notes to financial statements

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **A. REPORTING ENTITY**

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

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

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

#### **B. BASIS OF PRESENTATION**

##### ***Government-Wide Financial Statements***

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

### ***Fund Financial Statements***

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

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY***

#### ***1. Cash, Cash Equivalents, and Investments***

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

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

#### ***2. Receivables***

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

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

#### ***3. Inventories and Prepaid Expenses***

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017

### **4. Capital Assets**

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

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

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

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

### **5. Pensions**

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

### **6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. WEDC has deferred outflows related to the pension. Pension related deferred charged on refunding are reported in the government-wide financial statement of net position.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017

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

### ***7. Compensated Absences***

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

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

### ***8. Long-Term Obligations***

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

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

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### **10. Equity Classifications**

#### **Government-Wide Statements**

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

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

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

#### **Fund Statements**

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017

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

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

WEDC Board adopted FIN 104 Fund Balance Policy which established an assignment of fund balance to fund outstanding loan guarantees should they become payable by WEDC. This policy also stipulates that on June 30<sup>th</sup> of each fiscal year unassigned fund balances of annual administrative expenses will equal one sixth of the annual administrative expenditures. The delegated authority to WEDC's Chief Executive Officer and Chief Financial Officer to establish other assignments.

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

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



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

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

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

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

Excess of expenditures over appropriations are as follows:

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

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

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

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### NOTE III – Detailed Notes on All Funds

#### **A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

	Statement Balance	Carrying Value	Associated Risks
Demand deposits	\$ 4,836,889	\$ 4,211,551	Custodial credit risk
Money market	14,016,836	14,016,836	Custodial credit risk
US Agency	45,697,779	45,697,779	Custodial credit, credit, concentration of credit, and interest rate risk
Commercial Paper	4,979,200	4,979,200	Custodial credit, credit, concentration of credit, and interest rate risk
Total	<u>\$69,530,704</u>	<u>\$68,905,366</u>	

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

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### ***Custodial Credit Risk***

#### **Deposits**

For a deposit, custodial credit risk is the risk that in the event of a financial institution failure, WEDC's deposits may not be returned to WEDC. Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), and \$250,000 for interest bearing demand deposit accounts. WEDC also has a letter of credit from the Federal Home Loan Bank of Cincinnati in the amount of \$10,000,000 to collateralize the demand deposits at WEDC's primary bank. Collateral agreements are to prohibit the release of pledged assets without WEDC's authorization, however substitution of like collateral (valued and type) is allowed.

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

#### **Investments**

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

#### **Policy**

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

### ***Interest Rate Risk***

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

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

### **Credit Risk**

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

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

Investment	A1/P-1 or higher	AA+/Aaa	AA/Aa2
Federal Home Loan Bank	\$ -	\$ 14,268,762	\$ -
Federal National Mortgage Association	-	9,032,188	-
Federal Home Loan Mortgage Corporation	-	8,243,233	-
Municipal Issue	-	-	575,561
US Treasury	-	13,578,035	-
Commercial Paper	4,979,200	-	-
Total	\$ 4,979,200	\$ 45,122,218	\$ 575,561

### **Concentration of Credit Risk**

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### ***Fair Value Measurement***

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

WEDC has the following recurring fair value measurements as of June 30, 2017:

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

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

Government Sponsored Entity (GSE) securities, which include FHLB, FNMA, and FHLMC, of \$31.5 million are valued using quoted market prices of these or similar assets using various market and industry inputs (Level 2 inputs).

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

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

### ***B. RECEIVABLES***

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, \$619,957 was considered to be earned but not available.

### ***Loans Receivable***

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Interest accrued but not received on outstanding loans is recorded as interest receivable. Similar to the loans themselves, an allowance has been provided for uncollectible interest on the outstanding balance. Interest accrued on performance based loans is also considered to be uncollectible. Detail of the outstanding loans and interest receivable as of June 30, 2017 is as follows:

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

### C. CAPITAL ASSETS

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Depreciation expense was charged to functions as follows:

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

### ***D. LONG-TERM OBLIGATION***

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

Long-Term Obligation	Balance	Additions	Deletions	Balance	Current	Long-Term
Compensated absences	\$ 508,608	\$ 919,726	\$ 819,310	\$ 609,024	\$ 28,088	\$ 580,936
Note payable - State of Wisconsin	2,630,967	(415,499)	81,424	2,134,044	599,313	1,534,731
Total Long-Term Obligations	<u>\$ 3,139,575</u>	<u>\$ 504,227</u>	<u>\$ 900,734</u>	<u>\$ 2,743,068</u>	<u>\$ 627,401</u>	<u>\$2,115,667</u>

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

### ***Notes Payable – State of Wisconsin***

The State of Wisconsin (the State) has issued appropriation bonds in order to pay off the unfunded prior service costs for state employees participating in the WRS. The first of these bonds was issued in 2003 and the current final maturity for all of the bonds is in 2032. The State has issued a total of five debt issuances, of which two are variable rate instruments. The total outstanding balance of all of these debt issuances was \$1,527,590,000 as of June 30, 2017. The full details of these debt issues can be found within the State's annual financial statements.

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

The amount reported as WEDC's share of the total outstanding debt is calculated at 0.1397% as of July 1, 2016, the most recently available period. The liability reported above and estimated repayment schedule shown below has been calculated using this percentage. The actual amounts owed will fluctuate from year to year based on WEDC's retirement contributions compared to the other agencies and the variable interest rate component of some of the debt issuances. Adjustments to the estimated amounts owed are shown as adjustments in the notes payable balance on an annual basis. The table shows the future payments under this obligation as currently calculated.



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

### E. LEASE DISCLOSURES

#### Lessee - Operating Leases

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

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

### F. LOAN GUARANTEES

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

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

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### NOTE IV – Other Information

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

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

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

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

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### ***Post-Retirement Adjustments***

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	-2.1%	-42.0%
2010	-1.3%	22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%

### ***Contributions***

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

During the reporting period, the WRS recognized \$481,269 in contributions from the employer. Contribution rates as of June 30, 2017 are:

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

At June 30, 2017, WEDC reported a liability of \$402,113 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The WEDC's proportion of the net pension liability (asset) was based on the WEDC share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the WEDC proportion was 0.04879%, which was an increase of 3.5% from its proportion measured as of December 31, 2015 which was 0.04713%.

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

At June 30, 2017, the WEDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

\$259,187 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

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

### **Actuarial Assumptions**

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. The assumed annual adjustment is 2.1% based on the investment return assumption and the post-retirement discount rate.*

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

### **Long-Term Expected Return on Plan Assets**

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100%	100%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

### ***Single Discount Rate***

A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.10% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### ***Sensitivity of the WEDC's proportionate share of the net pension liability (asset) to changes in the discount rate***

The following presents the WEDC's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the WEDC's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WEDC's proportionate share of the net pension liability (asset)	\$ 5,290,055	\$ 402,113	\$ (3,361,824)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 17-16.

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

### **B. RISK MANAGEMENT**

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

### **C. COMMITMENTS AND CONTINGENCIES**

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

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

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

WEDC has entered into contracts and provides offers of financial assistance to businesses and partners in the state for future financial assistance. The remaining unexpended balance on these contracts and commitments has been reported as either restricted or assigned fund balance as appropriate. At year end, \$40,349,334 was reported in total for these contracts, \$39,699,334 as restricted fund balance, and \$650,000 as assigned fund balance.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

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

### **D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

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

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015 – This statement provides guidance on reporting of postemployment plans other than pensions. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement is effective for fiscal years beginning after June 15, 2017.
- Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016 – This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement is effective for fiscal years beginning after December 15, 2016.
- Statement No. 82 *Pension Issues*, -an amendment of GASB Statements No.67, No. 68, and No. 73., issued March 2016 – This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016 – This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in the statement. This statement is effective for fiscal years beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities*, issued January 2017 - This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended June 30, 2017

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

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

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

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

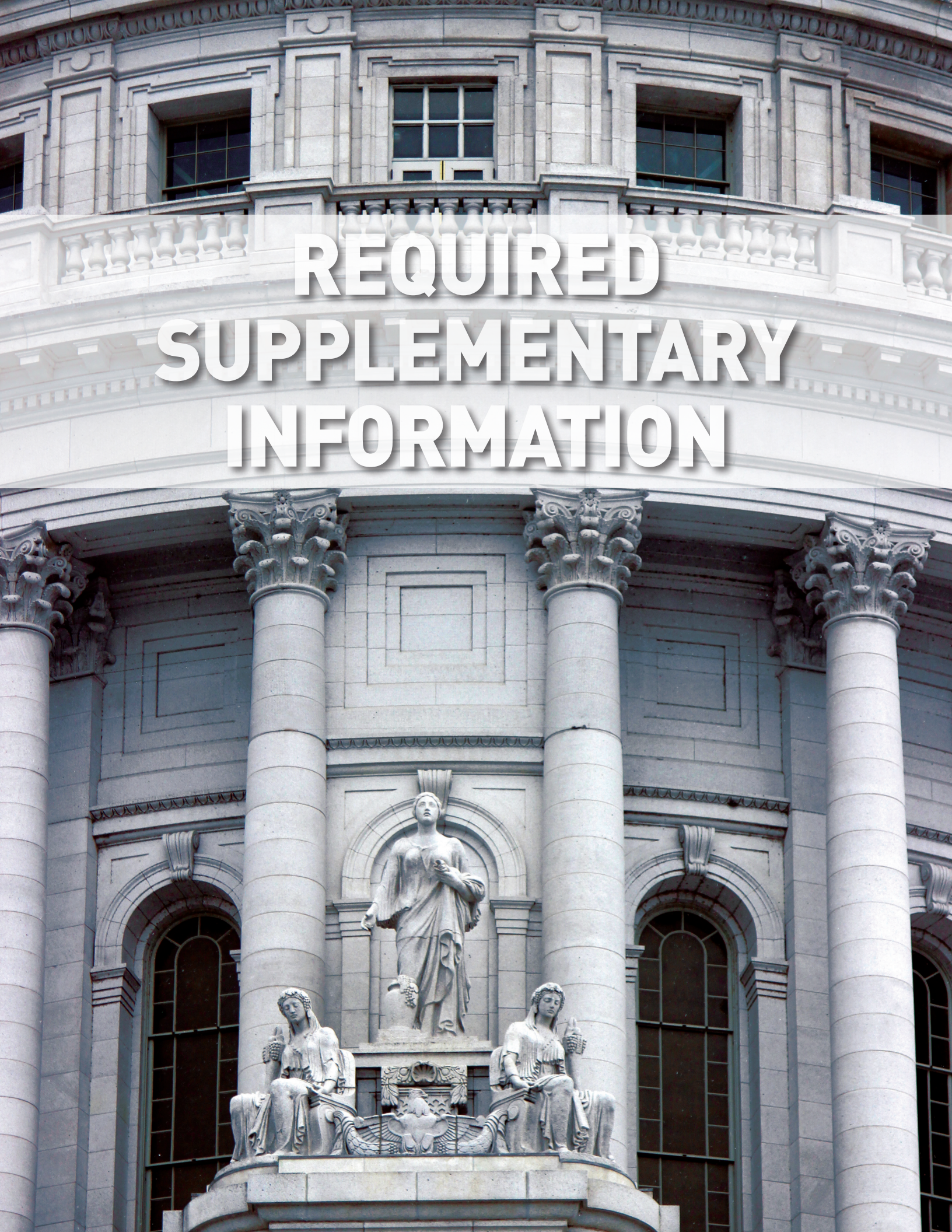
## NOTES TO FINANCIAL STATEMENTS As of and For the Year Ended June 30, 2017

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

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

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



A photograph of a classical building facade, likely a library or university building. The image shows a curved section with large columns and a balcony. In the foreground, there is a large statue of a standing female figure, possibly a personification of Knowledge or Truth, flanked by two seated female figures. The text "REQUIRED SUPPLEMENTARY INFORMATION" is overlaid in large, white, bold letters across the middle of the image.

# REQUIRED SUPPLEMENTARY INFORMATION



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF WEDC'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System  
Last 10 Fiscal Years\*

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

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

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

**SCHEDULE OF WEDC CONTRIBUTIONS**

Wisconsin Retirement System  
Last 10 Fiscal Years\*

	2015	2016	2017
Contractually required contributions	\$ 460,187	\$ 473,291	\$ 481,269
Contributions in relation to the contractually required contributions	460,187	473,291	481,269
Contributions deficiency (excess)	-	-	-
WEDC's covered-employee payroll	6,574,065	6,960,140	7,291,932
Contributions as a percentage of covered-employee payroll	7.0%	6.8%	6.6%

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

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

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2017**

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

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





# **SUPPLEMENTARY INFORMATION**



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

For the Years Ended June 30, 2016 AND 2017

	June 30, 2016	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>					
Intergovernmental	\$ 30,143,899	\$ 37,608,300	\$ 37,713,076	\$ 36,950,510	\$ (762,566)
Charges for services	184,108	165,000	200,000	223,762	23,762
Interest income	1,511,244	1,350,000	2,025,047	1,822,528	(202,519)
Other revenues	270,391	140,950	196,695	259,666	62,971
Total Revenues	<u>32,109,642</u>	<u>39,264,250</u>	<u>40,134,818</u>	<u>39,256,466</u>	<u>(878,352)</u>
<b>EXPENDITURES</b>					
Program grants	18,190,422	22,392,600	22,392,600	15,977,765	6,414,835
Loan loss reserve	4,637,799	2,575,000	2,575,000	4,280,430	(1,705,430)
Loan loss reserve - performance based loans	4,374,037	1,500,000	3,600,000	1,089,006	2,510,994
Key strategic partners	3,567,123	3,615,000	3,640,000	3,499,409	140,591
Promotions	3,173,972	3,478,719	3,604,067	3,074,674	529,393
Payroll and benefits	9,439,874	10,671,170	10,425,500	10,340,618	84,882
Operations and general	3,975,904	5,608,363	5,580,674	4,761,793	818,881
Capital	148,449	115,000	115,000	291,761	(176,761)
Debt service	231,199	117,000	235,000	202,674	32,326
Total Expenditures	<u>47,738,779</u>	<u>50,072,852</u>	<u>52,167,841</u>	<u>43,518,130</u>	<u>8,649,711</u>
<b>Net Change in Fund Balance</b>	<u>\$ (15,629,137)</u>	<u>\$ (10,808,602)</u>	<u>\$ (12,033,023)</u>	<u>(4,261,664)</u>	<u>\$ 7,771,359</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>				107,944,061	
<b>FUND BALANCES - END OF YEAR</b>				<u>\$ 103,682,397</u>	



A full-page background image of a classical building facade. Two large, fluted columns with Corinthian capitals frame a central arched window. The window has a decorative stone lintel with a central keystone and is topped by a balcony with balustrade. The text 'STATISTICAL SECTION' is overlaid in white on a semi-transparent grey band across the upper part of the image.

# STATISTICAL SECTION



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## STATISTICAL SECTION

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

Contents	Page
<b>Financial Trends</b>	59 - 62
These schedules contain trend information to help the reader understand how WEDC's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	64 - 66
These schedules contain information to help the reader assess WEDC's most significant own-source revenue source, interest on loans	
<b>Debt Capacity</b>	67
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.	
<b>Demographic and Economic Information</b>	68 - 69
These schedules offer demographic and economic indicators to help the reader understand the environment within which WEDC's financial activities take place.	
<b>Operating Information</b>	70 - 74
These schedules contain service and infrastructure data to help the reader understand how the information in WEDC's financial report relates to the services WEDC provides and the activities it performs.	

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## FINANCIAL TRENDS CHANGES IN NET POSITION Last Six Fiscal Years

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

### Notes:

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

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

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

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

### Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## FINANCIAL TRENDS NET POSITION BY COMPONENT Last Six Fiscal Years

	Fiscal Year					
	(As Restated)					
	2012	2013	2014	2015	2016	2017
Governmental Activities						
Net investment in capital assets	\$ 153,039	\$ 934,111	\$ 1,872,245	\$ 1,501,464	\$ 723,500	\$ 934,349
Restricted	15,249,905	17,984,574	25,471,389	33,799,765	30,074,692	41,738,826
Unrestricted	60,126,050	75,958,374	72,415,740	88,965,592	76,563,193	60,777,303
Total	<u>\$ 75,528,994</u>	<u>\$ 94,877,059</u>	<u>\$ 99,759,374</u>	<u>\$ 124,266,821</u>	<u>\$ 107,361,385</u>	<u>\$ 103,450,478</u>

### Notes:

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### Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

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

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

**Notes:**

In 2012 and 2013 loan loss reserve and performance based loan reserve expenses were reported within the general administration function. Beginning in 2014 these expenses are reported within the economic development function. Accounting standards requires that ten years of trend information be presented.

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

**Sources:**

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

# **WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

## FINANCIAL TRENDS FUND BALANCES OF GOVERNMENTAL FUNDS Last Six Fiscal Years

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

### Notes:

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

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

### Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>



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# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## REVENUE CAPACITY COLLECTIBLE LOAN BALANCES Last Six Fiscal Years

(continued)

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## REVENUE CAPACITY COLLECTIBLE LOAN BALANCES Last Six Fiscal Years

(concluded)

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

### Notes:

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

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

### Sources:

Wisconsin Economic Development Corporation

<http://inwisconsin.com/>

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## REVENUE CAPACITY TEN LARGEST LOANS Five Years ago and Current Year

Collectible Loan	Rank	Loan Balance 2012	Percent of Total	Rank	Loan Balance 2017	Percent of Total
SHINE Medical Technologies, Inc.	-	-	-	1	\$ 4,000,000	8.1%
Appleton Coated LLC	-	-	-	2	3,000,000	6.1%
Trilliant Food & Nutrition, LLC	-	-	-	3	2,000,000	4.0%
Russ Davis Wholesale	-	-	-	4	1,757,323	3.5%
Kestrel Aircraft Company	1	\$ 2,000,000	5.5%	5	1,704,310	3.4%
Kestrel Aircraft Company	-	-	-	6	1,698,065	3.4%
Menasha Corporation	-	-	-	7	1,500,000	3.0%
Monogram Food Solutions	-	-	-	8	1,166,039	2.4%
Flambeau River Biofuels Financial Group, Inc.	2	2,000,000	5.5%	-	-	-
J.L. French, LLC	3	1,386,133	3.8%	-	-	-
Green Box NA Green Bay, LLC	4	1,116,000	3.0%	9	1,116,000	2.3%
Bemis Healthcare Packaging, Inc	-	-	-	10	1,000,000	2.0%
Flambeau River Biofuels Financial Group, Inc.	5	1,000,000	2.7%	-	-	-
Milwaukee Forge, LLC	6	871,627	2.4%	-	-	-
Flambeau River Papers, LLC	7	727,350	2.0%	-	-	-
Prolitec Inc.	8	650,890	1.8%	-	-	-
Flambeau River Papers, LLC	9	624,355	1.7%	-	-	-
Flambeau River Papers, LLC	10	624,321	1.7%	-	-	-
		<u>11,000,677</u>	<u>30.0%</u>		<u>30,581,955</u>	<u>61.8%</u>
Total Loans Outstanding		<u>\$ 36,685,132</u>			<u>\$ 49,523,692</u>	

### Notes:

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

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

### Sources:

Wisconsin Economic Development Corporation

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# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## DEBT CAPACITY RATIOS OF OUTSTANDING DEBT Last Six Calendar Years

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

### Notes:

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

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

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

### Sources:

Wisconsin Department of Workforce Development

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

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

DEMOGRAPHIC AND ECONOMIC INFORMATION  
PERSONAL INCOME STATISTICS  
Last Seven Calendar Years

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

Notes:

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

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

Sources:

Wisconsin Department of Workforce Development

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

## WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

### DEMOGRAPHIC AND ECONOMIC INFORMATION EMPLOYMENT STATISTICS Last Seven Fiscal Years

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Employment (In Thousands Except Unemployment Rates Data)					
Year	Civilian Labor Force	Total Employed	Total Unemployed	Wisconsin Unemployed Rate	U.S. Unemployed Rate
(Restated)					
2011	3,080	2,841	239	7.8%	8.9%
2012	3,074	2,857	217	7.0	8.1
2013	3,083	2,875	208	6.7	7.4
2014	3,085	2,918	167	5.4	6.2
2015	3,095	2,954	141	4.6	5.3
2016	3,120	2,991	129	4.1	4.9
2017	-	-	Not Available	-	-

#### Notes:

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

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

#### Sources:

Wisconsin Department of Workforce Development

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

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

OPERATING INFORMATION  
EMPLOYEES BY FUNCTION/PROGRAM  
Last Six Years

(continued)

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



# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION EMPLOYEES BY FUNCTION/PROGRAM Last Six Years

(concluded)

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

### Notes:

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

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

### Sources:

Wisconsin Economic Development Corporation

[www.inwisconsin.com](http://www.inwisconsin.com)

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION OPERATING INDICATORS BY FUNCTION Last Six Years

(continued)

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

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION OPERATING INDICATORS BY FUNCTION Last Six Years

(concluded)

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

### Notes:

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# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

## OPERATING INFORMATION SCHEDULE OF CAPITAL ASSETS Last Six Years

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

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[www.inwisconsin.com](http://www.inwisconsin.com)

The Wisconsin Economic Development Corporation (WEDC) leads economic development efforts for the state by advancing and maximizing opportunities in Wisconsin for businesses, communities and people to thrive in a globally competitive environment. WEDC provides resources, operational support and financial assistance to companies, partners and communities in Wisconsin. WEDC achieves its mission through initiatives driven by five strategic pillars: business development; community and economic opportunity; strategic economic competitiveness; state brand management and promotion; and operational and fiscal excellence. Working with more than 600 regional and local partners, WEDC develops and delivers solutions representative of a highly responsive and coordinated economic development network.

Visit [InWisconsin.com](http://InWisconsin.com) to learn more.



201 W. Washington Avenue  
Madison, WI 53703

855-INWIBIZ  
[inwisconsin.com/impact](http://inwisconsin.com/impact)