

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION  
MADISON, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2012**

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

Madison, Wisconsin

June 30, 2012

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## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wisconsin Economic Development Corporation ("WEDC") as of and for the year ended June 30, 2012, which collectively comprise the WEDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the WEDC's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WEDC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Wisconsin Economic Development Corporation as of June 30, 2012, respective changes in financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013 on our consideration of the WEDC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Schenck SC*

Certified Public Accountants  
Green Bay, Wisconsin  
February 11, 2013

## **BASIC FINANCIAL STATEMENTS**

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Statement of Net Assets  
 June 30, 2012

<b>ASSETS</b>	
Cash and cash equivalents	\$ 33,070,194
Accounts receivable	15,500,679
Loans receivable (net of allowance - see Note C2)	32,659,402
Interest receivable (net of allowance - see Note C2)	616,229
Prepaid items	251,938
Capital assets	
Software	31,000
Vehicles	114,822
Less: Accumulated depreciation	<u>(18,964)</u>
<b>TOTAL ASSETS</b>	<u><b>82,225,300</b></u>
<b>LIABILITIES</b>	
Accounts payable	4,343,466
Accrued wages	163,165
Employee withholdings	229,651
Compensated absences	553,799
Other liabilities	<u>320,931</u>
<b>TOTAL LIABILITIES</b>	<u><b>5,611,012</b></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	126,858
Restricted for	
Economic development	14,277,105
Brownfield site assessments	972,800
Unrestricted	<u>61,237,525</u>
<b>TOTAL NET ASSETS</b>	<u><u><b>\$ 76,614,288</b></u></u>

The notes to the basic financial statements are an integral part of this statement.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

Madison, Wisconsin

Balance Sheet

General Fund

June 30, 2012

**ASSETS**

Cash and cash equivalents	\$ 33,070,194
Accounts receivable	15,500,679
Loans receivable (net of allowance - see Note C2)	32,659,402
Interest receivable (net of allowance - see Note C2)	616,229
Prepaid items	251,938

**TOTAL ASSETS** \$ 82,098,442

**LIABILITIES AND FUND BALANCES**

Liabilities

Accounts payable	\$ 4,343,466
Accrued wages	163,165
Employee withholdings	229,651
Other	320,931
Total Liabilities	<u>5,057,213</u>

Fund Balances

Nonspendable	
Loans receivable	32,659,402
Interest receivable	616,229
Prepaid items	251,938
Restricted for	
Economic development	14,277,105
Brownfield site assessments	972,800
Unassigned	<u>28,263,755</u>
Total Fund Balances	<u>77,041,229</u>

**TOTAL LIABILITIES AND FUND BALANCES** \$ 82,098,442

Reconciliation to the Statement of Net Assets

Total Fund Balances from above \$ 77,041,229

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 126,858

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.  
Compensated absences (553,799)

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3) \$ 76,614,288

The notes to the basic financial statements are an integral part of this statement.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**

Madison, Wisconsin

Statement of Activities

For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General and administrative	\$ 13,166,776	\$ 936,876	\$ -	\$ -	\$ (12,229,900)
Marketing and projects	1,202,147	-	-	-	(1,202,147)
Economic development	13,056,977	-	46,202,367	-	33,145,390
<b>Total Governmental Activities</b>	<b>\$ 27,425,900</b>	<b>\$ 936,876</b>	<b>\$ 46,202,367</b>	<b>\$ -</b>	<b>19,713,343</b>
<b>General revenues</b>					
State of Wisconsin appropriations					
General purpose revenues					32,018,006
Segregated funds					23,189,200
Brownfield site assessments					1,000,000
Interest income					693,739
<b>Total General Revenues</b>					<b>56,900,945</b>
Change in net assets					76,614,288
Net assets - Beginning					-
Net assets - Ending					<b>\$ 76,614,288</b>

The notes to the basic financial statements are an integral part of this statement.



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Year Ended June 30, 2012

Revenues	
State of Wisconsin appropriations	
General purpose revenue	\$ 32,018,006
Segregated funds	23,189,200
Brownfield site assessments	1,000,000
Projects and grants	77,854
Interest on loans	693,739
Other	936,876
Total Revenues	<u>57,915,675</u>
Expenditures	
General and administrative	989,358
Marketing and advertising	1,183,183
Payroll and related	6,660,403
Utilities and facilities	932,176
Operating and maintenance	4,506,195
Taxes and insurance	59,186
Economic development	13,056,977
Total Expenditures	<u>27,387,478</u>
Excess of Revenues Over Expenditures	30,528,197
Other Financing Sources	
Contributions from State of Wisconsin	<u>46,513,032</u>
Net Change in Fund Balance	77,041,229
Fund Balance - Beginning	<u>-</u>
Fund Balance - Ending	<u>\$ 77,041,229</u>

(Continued)

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)  
 General Fund  
 For the Year Ended June 30, 2012

Reconciliation to the Statement of Activities

Net Change in Fund Balance from previous page		\$ 77,041,229
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital assets purchased as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital assets purchased in governmental fund statements	\$ 145,822	
Depreciation expense reported in the statement of activities	<u>(18,964)</u>	
Amount by which depreciation is less than capital outlays		126,858
<p>As part of the establishment of the organization, certain liabilities were assumed from by other entities. The amounts of those liabilities would not be recorded in the fund statements.</p>		
		(388,519)
<p>Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits increased by:</p>		
		<u>(165,280)</u>
Change in Net Assets of Governmental Activities as Reported on the Statement of Activities (see pages 4)		<u><u>\$ 76,614,288</u></u>

The notes to the basic financial statements are an integral part of this statement.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State of Wisconsin appropriations				
General purpose revenues	\$ 32,018,006	\$ 32,018,006	32,018,006	\$ -
Segregated funds	23,189,200	23,189,200	23,189,200	-
Brownfield site assessments	1,000,000	1,000,000	1,000,000	-
Projects and grants				
Federal programs	23,762,176	23,762,176	-	(23,762,176)
Other	-	-	77,854	77,854
Interest on loans	425,625	425,625	693,739	268,114
Investment income	20,000	20,000	-	(20,000)
Other	4,800,103	4,800,103	936,876	(3,863,227)
<b>Total Revenues</b>	<b>85,215,110</b>	<b>85,215,110</b>	<b>57,915,675</b>	<b>(27,299,435)</b>
<b>Expenditures</b>				
General and administrative	1,182,312	1,182,312	989,358	192,954
Marketing and advertising	1,200,754	1,200,754	1,183,183	17,571
Payroll and related	7,065,358	7,065,358	6,660,403	404,955
Utilities and facilities	1,536,969	1,536,969	932,176	604,793
Operating and maintenance	4,526,596	4,526,596	4,506,195	20,401
Taxes and insurance	61,200	61,200	59,186	2,014
Economic development				
Federal programs	27,000,000	27,000,000	-	27,000,000
State programs	57,730,000	57,730,000	13,056,977	44,673,023
<b>Total Expenditures</b>	<b>100,303,189</b>	<b>100,303,189</b>	<b>27,387,478</b>	<b>72,915,711</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(15,088,079)	(15,088,079)	30,528,197	45,616,276
<b>Other Financing Sources</b>				
Capital contributions	-	-	46,513,032	46,513,032
<b>Net Change in Fund Balance</b>	<b>(15,088,079)</b>	<b>(15,088,079)</b>	<b>77,041,229</b>	<b>92,129,308</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ (15,088,079)</b>	<b>\$ (15,088,079)</b>	<b>\$ 77,041,229</b>	<b>\$ 92,129,308</b>

The notes to the basic financial statements are an integral part of this statement.

## WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Madison, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wisconsin Development Corporation ("WEDC") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the WEDC are described below:

#### 1. Reporting Entity

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

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

In accordance with GAAP, the basic financial statements are required to include the WEDC (the primary government) and any separate component units that have a significant operational or financial relationship with the WEDC. The WEDC has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

#### 2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the WEDC. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The WEDC has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, State appropriations, and other items not properly included among program revenues are reported instead as *general revenues*.

The WEDC reports the following major governmental funds:

#### GENERAL FUND

This fund accounts for all financial resources of the WEDC.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
Madison, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Nonexchange transactions, in which the WEDC gives or receives value, without directly receiving or giving equal value in exchange, include State appropriations, grants, and entitlements. Revenues from grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Federal and aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred.

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 WEDC 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.

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

4. Assets, Liabilities and Net Assets or Equity

a. Cash and Cash Equivalents

Cash and cash equivalents are combined in the financial statements. Cash deposits consist of demand deposits with financial institutions and are carried at cost. The WEDC currently has no investments.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Loans Receivable

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

The WEDC uses the allowance method of providing for loan losses. The provision for loan losses charged to expense is based upon factors such as current financial condition of the specific business entity and overall economic conditions. The WEDC also provides an allowance equal to the balance of all forgivable loans since it is anticipated that all conditions for forgiveness will be met by the businesses.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance accounts to indicate that they do not represent spendable available financial resources.

e. Capital Assets

Capital assets, which include software and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the WEDC as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the WEDC are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Years
Software	3
Vehicles	5

f. Compensated Absences

The WEDC's policy allows employees to accumulate 240 hours of paid time off. Hours in excess of 240 or unused hours lapse. The WEDC also participates in the State of Wisconsin Supplemental Health Insurance Conversion Credit Program (SHICC). This program allows employees who meet specific eligibility criteria to convert unused sick leave credits upon retirement or disability to pay for health insurance premiums.

All sick leave is 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. The compensated absences liability is calculated based on the pay or salary rates in effect at year end.

g. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
Madison, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Directors. These constraints can only be removed or changed by the Board of Directors using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of WEDC management.
- Unassigned fund balance - Amounts that are available for any purpose.

The WEDC has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE STATEMENTS

In the government-wide financial statements, net assets are displayed in three components:

- 1) Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by a) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Madison, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

### NOTE B - STEWARDSHIP AND COMPLIANCE

#### Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. The legally adopted budget and budgetary expenditure control is exercised at the function level. All annual appropriations lapse at year-end, except those intended to accumulate funds for future projects. Reported budget amounts are as originally approved and as amended by Board of Directors, if applicable.

The WEDC did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2012.

### NOTE C - DETAILED NOTES ON ALL FUNDS

#### 1. Cash and Investments

The WEDC currently maintains two non-interest bearing transaction accounts. Wisconsin Statutes restrict cash deposits and investments to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the WEDC's cash and cash equivalents totaled \$33,070,194 on June 30, 2012 and consisted of two non-interest bearing bank deposit accounts.

Deposits and investments of the WEDC are subject to various risks. Presented below is a discussion of the specific risks and the WEDC's policy related to the risk.

#### Deposits With Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The WEDC does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. In addition, the WEDC's non-interest bearing transaction accounts are fully insured through December 31, 2012. As of January 1, 2013, the WEDC's non-interest bearing transaction accounts are combined with its interest bearing demand deposits for FDIC insurance coverage. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2012, none of the WEDC's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.



**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Long-term Obligations

The following is a summary of changes in long-term obligations of the WEDC for the year ended June 30, 2012:

	Outstanding 7/1/11	Issued	Retired	Outstanding 6/30/12	Due Within One Year
Compensated Absences					
Sick leave	\$ -	\$ 553,799	\$ -	\$ 553,799	\$ -

5. Leases

WEDC assumed two leases for office space with the State of Wisconsin Department of Administration. In addition, WEDC entered into three additional leases for satellite offices in Wisconsin. Following is a schedule, by years, of future minimum rental payments required under the terms of the long-term operating leases:

Year Ending June 30,	Amount
2013	\$ 492,330
2014	469,283
2015	459,988
2016	459,988
Total Minimum Payments Required	<u>\$ 1,881,589</u>

**NOTE D - OTHER INFORMATION**

1. Retirement Commitments

All eligible WEDC employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement WEDC. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 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. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. The WEDC only had General category employees for the year ended June 30, 2012. 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. Contribution rates are as follows:

	2011		2012	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General	5.8%	5.8%	5.9%	5.9%

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
 Madison, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2012

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**2. Loans and Interest Receivable**

WEDC holds a number of loans with Wisconsin businesses, some of which are to be repaid and some which can be forgiven provided the business meets certain criteria detailed in each loan agreement. An allowance for uncollectible loans is provided on the outstanding balance. Forgivable loans are considered to be uncollectible as it is anticipated that the businesses will meet the specified criteria. The loans have varying interest rates and maturities. Interest accrued but not received on outstanding loans is recorded as interest receivable. Similar to the loans themselves, an allowance has been provided for uncollectible interest on the outstanding balance. Interest accrued on forgivable loans is also considered to be uncollectible. Detail of the outstanding loans and interest receivable as of June 30, 2012 is as follows:

	Repayable Loans	Forgivable Loans	Total
Loans receivable	\$ 36,685,132	\$ 15,546,402	\$ 52,231,534
Allowance for uncollectible loans	(4,025,730)	(15,546,402)	(19,572,132)
Net loans receivable	<u>\$ 32,659,402</u>	<u>\$ -</u>	<u>\$ 32,659,402</u>
Interest receivable	\$ 684,229	\$ 1,098,856	\$ 1,783,085
Allowance for uncollectible loans	(68,000)	(1,098,856)	(1,166,856)
Net loans receivable	<u>\$ 616,229</u>	<u>\$ -</u>	<u>\$ 616,229</u>

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Software	\$ -	\$ 31,000	\$ -	\$ 31,000
Vehicles	-	114,822	-	114,822
Subtotals	<u>-</u>	<u>145,822</u>	<u>-</u>	<u>145,822</u>
Less accumulated depreciation for:				
Software	-	432	-	432
Vehicles	-	18,532	-	18,532
Subtotals	<u>-</u>	<u>18,964</u>	<u>-</u>	<u>18,964</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>126,858</u>	<u>-</u>	<u>126,858</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 126,858</u>	<u>\$ -</u>	<u>126,858</u>
Less related long-term debt outstanding				<u>-</u>
Invested in capital assets, net of related debt				<u>\$ 126,858</u>

Depreciation expense on capital assets is reported as part of General and Administrative expense in the Statement of Activities.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
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Notes to Basic Financial Statements  
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**NOTE D - OTHER INFORMATION (Continued)**

The payroll for WEDC employees covered by the WRS for the year ended June 30, 2012 was \$4,405,288; the employer's total payroll was \$5,066,972. The total required contribution for the year ended June 30, 2012 was \$516,048, which consisted of \$258,024 or 5.8% of covered payroll from the employer for July 1, 2011 through December 31, 2011 and 5.9% of covered payroll from the employer for January 1, 2012 through June 30, 2012, and \$258,024, or 5.8% of covered payroll from employees for July 1, 2011 through December 31, 2011 and 5.9% of covered payroll from the employees for January 1, 2012 through June 30, 2012. Since this is the first year of operation for WEDC, there were no contributions for prior years.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

2. Risk Management

The WEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The WEDC completes an annual review of its insurance coverage to ensure adequate coverage.

3. Concentrations

The WEDC received approximately 97% of its funding from the State of Wisconsin during 2012.

4. Contributions from State of Wisconsin

The WEDC was initially funded through a contribution from the State of Wisconsin. The contribution consisted of a transfer of State loan program receivables totaling \$24,277,417 and a transfer of cash and other assets and liabilities totaling \$21,847,096. The total transfer of \$46,124,513 has been included as part of Operating Grants and Contributions in the Statement of Activities.

Included in the transfer was a liability totaling \$388,519 which represents the accumulated compensated absence balance of former State of Wisconsin employees who became employees of the WEDC. Since this is a long-term liability, it is not reported in the fund statements. Therefore, the contribution from the State of Wisconsin reported in the Statement of Revenues, Expenditures and Changes in Fund Balance has been increased by this amount to \$46,513,032.

**WISCONSIN ECONOMIC DEVELOPMENT CORPORATION**  
Madison, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

**NOTE D - OTHER INFORMATION (Continued)**

5. Contingencies

- a. The WEDC participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the WEDC's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the WEDC expects such amounts, if any, to be immaterial.
- b. From time to time, the WEDC is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the WEDC's financial position or results of operations.
- c. In addition to the loans and grants provided directly by the WEDC to Wisconsin businesses, the WEDC has also contracted with three businesses to provide financial guarantees on their loans to other financial institutions. As of the date of our independent auditors' report, these financial guarantees totaled \$635,000.