



COLEMAN & WILLIAMS, LTD.
A Professional Services Firm

WISCONSIN CENTER DISTRICT
Milwaukee, Wisconsin

FINANCIAL STATEMENTS
December 31, 2014 and 2013



TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	12
Notes to Financial Statements	14
ADDITIONAL INFORMATION	
Schedule of Progress Funding	39
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40



Independent Auditors' Report

Board of Directors
Wisconsin Center District
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Wisconsin Center District (the District), which comprise the statement of net position as of December 31, 2014 and 2013 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 and with Government Auditing Standards, issued by the Comptroller General of the United States; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with Government Auditing Standards, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014 and 2013 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and the schedule of funding progress on page 39 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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



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accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Coleman & Williams, Ltd.

Milwaukee, Wisconsin
April 22, 2015



WISCONSIN CENTER DISTRICT

Management's Discussion and Analysis

Years ended December 31, 2014 and 2013

(Unaudited)

The Wisconsin Center District (the District) is a political subdivision, unit of local government body corporate and politic, and municipality existing under the laws of the State of Wisconsin. The District is a "local exposition district" created under, and with the taxing powers described in 1993 Wisconsin Act 263. As management, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2014.

Financial Highlights

Year Ended December 31, 2014

- The liabilities of the District exceeded its assets at December 31, 2014 by \$43,850,651 (net position-deficit). Of this amount, \$9,574,075 is restricted for debt service and \$(8,949,930) is associated with investments in capital assets, net of related debt. This leaves a deficit of \$44,474,796 for unrestricted net assets.
- The District's December 31, 2014 total net position of \$(43,850,651) reflected an increase of \$1,426,606 from December 31, 2013 balance of \$(45,277,257).

Year Ended December 31, 2013

- The liabilities of the District exceeded its assets at December 31, 2013 by \$45,277,257 (net position-deficit). Of this amount, \$10,259,828 is restricted for debt service and \$(9,500,553) is associated with investments in capital assets, net of related debt. This leaves a deficit of \$46,036,532 for unrestricted net assets.
- The District's December 31, 2013 total net position of \$(45,277,257) reflected an increase of \$860,798 from December 31, 2012 balance of \$(46,138,055).

Overview of the Financial Statements

The District follows enterprise fund reporting; accordingly the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Financial statements offer short and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to a private business.

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise four components: 1) statements of net position, 2) statements of revenues, expenses, and changes in net position, 3) statements of cash flows and 4) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.



The statements of net position present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Additionally, unrestricted net position represents amounts available for spending at the District's discretion. Such information may be useful in evaluating near-term financing requirements.

The statements of revenues, expenses, and changes in net position present information showing how the net position changed during the most recent 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected space and equipment rental revenues, labor service revenues).

The statements of cash flows, using the direct method, present information on the District's decrease in cash resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows can be found on pages 9-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 14-37 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the District, assets were less than liabilities by \$43,850,651 at the close of the most recent fiscal year. This compares to \$45,277,257 at the close of the previous year.

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 42,720,527	39,618,027	40,015,267
Capital assets	149,376,697	153,161,331	158,263,017
Total assets	\$ 192,097,224	192,779,358	198,278,284
Current liabilities	\$ 17,998,642	14,958,602	13,751,697
Long-term liabilities and Deferred Inflows	217,949,233	223,098,013	230,664,642
Total liabilities	235,947,875	238,056,615	244,416,339
Net position			
Invested in capital assets, net of related debt	(8,949,930)	(9,500,553)	(1,724,708)
Restricted	9,574,075	10,259,828	8,333,716
Unrestricted	(44,474,796)	(46,036,532)	(52,747,063)
Total net position	\$ (43,850,651)	(45,277,257)	(46,138,055)



A significant portion of the District's net position, (\$8,949,930) ((\$9,500,553) at December 31, 2013) is reflected in its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses those capital assets to provide services; consequently, those assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

In addition, \$9,574,075 of the District's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position. This unrestricted net position balance is a deficit of \$44,474,796 (\$46,036,532 at December 31, 2013). The deficit in unrestricted net position can be broken down into two components. The first component is an accumulation of interest costs on capital appreciation bonds, approximately \$50,912,000 (\$50,797,000 at December 31, 2013). The second component is the accumulation of surpluses and deficits, excluding interest expense on capital appreciation bonds, since the creation of the District, approximately (\$6,437,000) in net deficit (\$4,762,000 at December 31, 2013).

Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Rental and labor service revenues	\$ 5,868,998	5,307,492	5,332,954
Other	7,234,695	6,671,882	6,774,225
Total operating revenues	<u>13,103,693</u>	<u>11,979,374</u>	<u>12,107,179</u>
Operating expenses:			
Allocated operating expenses	7,590,005	7,909,453	8,240,539
Unallocated operating expenses	14,073,826	11,363,444	11,478,554
Depreciation and amortization	7,974,633	7,790,624	7,689,554
Total operating expenses	<u>29,638,464</u>	<u>27,063,521</u>	<u>27,408,647</u>
Nonoperating income (expenses):			
Net tax revenue	29,807,735	27,984,698	26,516,807
Bond amortization and interest expense	(12,807,178)	(13,011,581)	(12,575,567)
Other	960,820	971,828	971,498
Net nonoperating income (expense)	<u>17,961,377</u>	<u>15,944,945</u>	<u>14,912,738</u>
Increase (decrease) in net assets	1,426,606	860,798	(388,730)
Net assets – beginning of year	<u>(45,277,257)</u>	<u>(46,138,055)</u>	<u>(45,749,325)</u>
Net assets – end of year	<u>\$ (43,850,651)</u>	<u>(45,277,257)</u>	<u>(46,138,055)</u>



Year Ended December 31, 2014

The 2014 total operating revenues of \$13,103,693 reflects an increase of \$1,124,319 (or 9.4%) when compared to the prior year total amount of \$11,979,374. This increase in revenue is primarily attributable to growth in space rentals and food functions within conventions.

The 2014 total operating expenses of \$29,638,464 reflects an increase of \$2,574,943 (or 9.5%) when compared to the prior year amount of \$27,063,521. This increase is primarily attributable to increased business activity and higher funding of Visit Milwaukee.

The 2014 net non-operating income of \$17,961,377 reflects an increase of \$2,016,432 (or 12.6%) when compared to the prior year amount of \$15,944,945. This change is primarily attributable to increased net tax revenues.

Year Ended December 31, 2013

The 2013 total operating revenues of \$11,979,374 reflects a decrease of \$127,805 (or 1.0%) when compared to the prior year total amount of \$12,107,179. This reduction in revenue is primarily attributable to declines in food functions within conventions and the loss of naming rights.

The 2013 total operating expenses of \$27,063,521 reflects a decrease of \$345,126 (or 1.3%) when compared to the prior year amount of \$27,408,647. This decrease is primarily attributable to a decrease in the benefit costs for the District.

The 2013 net non-operating income of \$15,944,945 reflects an increase of \$1,032,207 (or 6.9%) when compared to the prior year amount of \$14,912,738. This change is primarily attributable to increased net tax revenues.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of December 31, 2014, amounts to \$149,376,697 (net of accumulated depreciation). At the end of the prior year, the investment was \$153,161,331. Capital assets include land, buildings, improvements, and machinery and equipment. The total decrease in the District's capital assets from 2013 to 2014 was \$3,784,634 (or 2.5%). This decrease was a result of the District recording depreciation on its capital assets.

A summary of capital Assets as of December 31, 2014 and the two prior years is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 22,958,953	22,958,953	22,958,953
Buildings and improvements, net	121,338,850	126,641,135	131,981,886
Machinery and equipment, net	<u>5,078,894</u>	<u>3,561,243</u>	<u>3,322,178</u>
Total	<u>\$ 149,376,697</u>	<u>153,161,331</u>	<u>158,263,017</u>



Additional information on the District's capital assets can be found in note 6 on pages 25-26 of this report.

Long-term debt. At December 31, 2014, the District had total bonded debt outstanding of \$178,474,944 (net of unamortized bond premiums, discounts, and losses on refunding), of which \$6,364,232 is current. At the end of the prior year, the District had total bonded debt outstanding of \$184,114,406, of which \$5,639,462 was current. This debt represents bonds secured by specified future tax collections of the District. In addition, the District had \$50,912,046 in accrued interest at December 31, 2014 (\$50,859,185 at prior year end) related to the capital appreciation bonds.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Bonded debt outstanding	\$ 178,474,944	184,114,406	191,101,140
Subtotal			
Accumulated accretion	<u>50,912,046</u>	<u>50,859,185</u>	<u>50,404,227</u>
Total	<u>229,386,990</u>	<u>234,973,591</u>	<u>241,505,367</u>
Current portion			
Bonded debt	(6,364,232)	(5,639,462)	(4,471,734)
Accumulated accretion	<u>(4,930,768)</u>	<u>(4,790,538)</u>	<u>(4,516,844)</u>
	<u>(11,295,000)</u>	<u>(10,430,000)</u>	<u>(8,988,578)</u>
Long-term portion	<u>\$ 218,091,990</u>	<u>224,543,591</u>	<u>232,516,789</u>

Additional information on the District's long-term debt can be found in note 9 on pages 28-32 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Wisconsin Center District, 400 West Wisconsin Avenue, Milwaukee, WI 53203.



**WISCONSIN CENTER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,793,736	\$ 2,890,018
Accounts receivable, less allowance for doubtful accounts of \$16,259 in 2014 and \$20,092 in 2013	793,955	122,939
Tax revenues receivable	4,764,634	4,256,439
Loans receivable, current portion	35,379	33,556
Prepaid expenses and other current assets	50,820	42,620
Total current assets	<u>9,438,524</u>	<u>7,345,572</u>
Noncurrent assets		
Restricted cash and cash equivalents	32,551,283	31,506,356
Restricted interest receivable	380,172	380,172
Loans receivable, less current portion	350,548	385,927
Capital assets		
Non-depreciable	22,958,953	22,958,953
Depreciable	126,417,744	130,202,378
Total noncurrent assets	<u>182,658,700</u>	<u>185,433,786</u>
Total assets	<u>192,097,224</u>	<u>192,779,358</u>
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Obligation under capital lease, current portion	411,370	197,831
Current installments of bonds payable	11,295,000	10,430,000
Accounts payable	1,294,239	1,202,177
Accrued expenses	3,143,770	1,789,162
Concession improvement deposits	455,001	585,000
Unearned revenue	1,399,262	754,432
Total current liabilities	<u>17,998,642</u>	<u>14,958,602</u>
Long-term liabilities		
Obligation under capital lease, less current portion	1,509,890	428,908
Bonds payable, net, less current portion	172,425,374	178,623,423
Total long-term liabilities	<u>173,935,264</u>	<u>179,052,331</u>
Total liabilities	<u>191,933,906</u>	<u>194,010,933</u>
Deferred inflows of resources	<u>44,013,969</u>	<u>44,045,682</u>
Net Position		
Invested in capital assets, net of related debt	(8,949,930)	(9,500,553)
Restricted for debt service	9,574,075	10,259,828
Unrestricted (deficit)	<u>(44,474,796)</u>	<u>(46,036,532)</u>
Deficiency in net position	<u>\$ (43,850,651)</u>	<u>\$ (45,277,257)</u>

The accompanying notes are an integral part of the financial statements.



**WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenue		
Space rentals	\$ 3,683,379	\$ 3,208,994
Equipment rentals	1,142,592	905,899
Commission on concession sales	3,248,541	2,574,302
Labor service revenue	1,043,027	1,192,599
Advertising revenue	1,158,700	1,290,382
Information technology revenue	763,540	777,988
Box office revenue	552,824	462,431
Parking revenue	711,708	577,603
Other	799,382	989,176
	<u>13,103,693</u>	<u>11,979,374</u>
Total operating revenue		
Operating expenses		
Allocated expenses		
Wages	3,356,913	3,266,503
Utilities	1,991,726	2,036,844
Building maintenance and repairs	1,255,570	1,166,603
Ticket expenses	89,409	87,527
Other	896,387	1,351,976
	<u>7,590,005</u>	<u>7,909,453</u>
Total allocated operating expenses		
Unallocated expenses		
Administrative salaries and wages	2,183,456	2,180,285
Employee benefits	2,097,191	1,852,619
Advertising and promotion	8,467,805	6,193,155
Legal services	48,201	47,176
Insurance	579,731	549,087
Professional services	98,619	64,695
Depreciation	7,974,633	7,790,624
Other	598,823	476,427
	<u>22,048,459</u>	<u>19,154,068</u>
Total unallocated operating expenses		
Total operating expenses	<u>29,638,464</u>	<u>27,063,521</u>
Operating loss	<u>\$ (16,534,771)</u>	<u>\$ (15,084,147)</u>

The accompanying notes are an integral part of the financial statements.



**WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Nonoperating income (expense)		
Tax revenue		
Additional room tax revenue	\$ 12,344,694	\$ 11,395,906
Basic room tax revenue	5,643,579	5,307,845
Food and beverage tax revenue	10,004,052	9,624,199
Rental car tax revenue	2,595,397	2,389,031
	<u>30,587,722</u>	<u>28,716,981</u>
State of Wisconsin administrative fee	(779,987)	(732,283)
Net tax revenue	29,807,735	27,984,698
Other income	960,820	971,828
Bond amortization and interest expense	(12,807,178)	(13,011,581)
Total nonoperating income	<u>17,961,377</u>	<u>15,944,945</u>
Change in net position	1,426,606	860,798
Deficiency in net position, beginning of year	<u>(45,277,257)</u>	<u>(46,138,055)</u>
Deficiency in net position, end of year	<u>\$ (43,850,651)</u>	<u>\$ (45,277,257)</u>

The accompanying notes are an integral part of the financial statements.



**WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Receipts from customers	\$ 13,077,507	\$ 11,450,997
Payments to suppliers	(14,072,409)	(12,040,436)
Payments to employees	(6,282,952)	(6,359,076)
Net cash used in operating activities	<u>(7,277,854)</u>	<u>(6,948,515)</u>
Cash flows from noncapital financing activities		
Receipts from additional room tax	11,836,500	13,157,720
Receipts from basic room tax	5,643,580	5,307,845
Receipts from food and beverage tax	10,004,052	9,624,199
Receipts from rental car tax	2,595,398	2,389,031
Payment of tax collection administrative fee	(779,987)	(732,283)
Net cash provided by noncapital financing activities	<u>29,299,543</u>	<u>29,746,512</u>
Cash flows from capital and related financing activities		
Principal payment on bonds payable	(2,609,462)	(2,938,244)
Interest paid on bonds payable	(15,562,479)	(14,481,961)
Payment on capital lease agreement	1,294,521	(205,219)
Capital assets purchased	(4,190,000)	(2,688,938)
Net cash used in capital and related financing activities	<u>(21,067,420)</u>	<u>(20,314,362)</u>
Cash flows from investing activities		
Interest income	960,820	971,828
Payments received on loans receivable	33,556	47,677
Net cash provided by investing activities	<u>994,376</u>	<u>1,019,505</u>
Increase (decrease) in cash and cash equivalents	1,948,645	3,503,140
Cash and cash equivalents, beginning of year	<u>34,396,374</u>	<u>30,893,234</u>
Cash and cash equivalents, end of year	<u>\$ 36,345,019</u>	<u>\$ 34,396,374</u>

(continued)



**WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating loss	\$ (16,534,771)	\$ (15,084,147)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	7,974,633	7,790,624
Change in operating assets and liabilities		
Accounts receivable	(671,016)	461,066
Prepaid expenses and other assets	(8,200)	10,613
Accounts payable and other liabilities	2,091,500	3,329
Concession improvement deposits	(130,000)	(130,000)
Net cash used in operating activities	<u>\$ (7,277,854)</u>	<u>\$ (6,948,515)</u>
Reconciliation of cash and cash equivalents to the statement of net assets		
Unrestricted cash and cash equivalents		
Box office cash and cash equivalents	\$ 855,442	\$ 301,866
Other operating cash and cash equivalents	<u>2,938,294</u>	<u>2,588,152</u>
Total unrestricted cash and cash equivalents	3,793,736	2,890,018
Restricted cash and cash equivalents	<u>32,551,283</u>	<u>31,506,356</u>
Cash and cash equivalents, end of year	<u>\$ 36,345,019</u>	<u>\$ 34,396,374</u>
Noncash investing, capital and financing activities		
Acquisition of assets through capital lease	<u>\$ 1,581,953</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.



**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wisconsin Center District (the District) is a political subdivision, unit of local government body corporate and politic, municipality existing under the laws of the State of Wisconsin. The District is a “local exposition district” created under, and with the taxing powers described in 1993 Wisconsin Act 263. The District is a separate unit of government, distinct from the City and County of Milwaukee and from the State of Wisconsin. The District’s geographical boundaries include Milwaukee County and portions of some cities and villages that are not within Milwaukee County. The District was created to assume ownership of certain existing convention facilities and to construct an expansion of such facilities.

On July 31, 1995, the City of Milwaukee and the Milwaukee Exposition and Convention Center and Arena (MECCA) transferred all real and personal property of MECCA (net assets totaling \$17,441,794) to the District. The District accepted operating responsibility and assignment of all contracts in effect with respect to the MECCA property including an agreement to fund the operations of the Greater Milwaukee Convention and Visitors Bureau, now known as Visit Milwaukee, which shares responsibility for marketing the District’s facilities.

The facilities conveyed to the District were located at and around 500 West Kilbourn Avenue in downtown Milwaukee and included three distinct facilities for public gatherings, private meetings, conventions, trade shows, and other expositions: (1) the Milwaukee Auditorium (now known as the Milwaukee Theatre), originally constructed in 1908 with approximately 38,000 square feet of space used for performing arts presentations, (2) an 11,000-12,000 seat arena now known as the UW-Milwaukee Panther Arena (the Arena), constructed in 1952 with approximately 44,000 square feet of flat surface space used primarily for sporting events and concerts, and (3) a convention center (the Convention Hall), built in 1974 with approximately 350,000 gross square feet of space, including meeting rooms, three large exhibit halls, and a ballroom.

In 1999, the District constructed a convention center, now known as the Wisconsin Center, to significantly enhance the economies of the City of Milwaukee, Milwaukee County, and the State of Wisconsin, and allow the District to compete effectively with other regional, national, and international convention facilities for convention and business meetings by providing more and higher quality space and upgraded convention center amenities.

Reporting Entity

As defined by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or fiscal dependency on the primary government.

Based upon the required criteria, the District has no component units and is not considered a component unit of any other government.

Basis of Accounting

The financial statements of the District are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to governmental entities. The accounts of the District, which are organized as an enterprise fund, are used to account for the District's activities that are financed and operated in a manner similar to a private business enterprise.

Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include sales tax revenue and grants. Revenue from derived tax revenue (i.e. basic room tax, additional room tax, local food and beverage tax, and local rental car tax) is recorded in the period when the underlying transaction has occurred. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District also has the option of following subsequent private-sector standards. The District has elected not to follow subsequent private-sector standards.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents

The District considers deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Assets

Certain resources have been classified as restricted assets on the statement of net assets because their use is limited by applicable bank agreements and bond covenants. See notes on restricted cash and cash equivalents for additional disclosures.

Capital Assets

The District recorded original capital assets including land, buildings, and equipment, along with related improvements, at the net book value of the assets at the effective date of transfer from the City and MECCA. Subsequent additions to land, buildings, and equipment over \$500 and with an estimated life longer than 2 years are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Building</u>	<u>Improvements</u>	<u>Furniture, Machinery, and Equipment</u>
Wisconsin Center	50 years	10-20 years	5-20 years
Milwaukee Theatre	20 years	8-20 years	5-20 years
UW-Milwaukee Panther Arena	50 years	5-22 years	5-20 years

The District's policy is to capitalize interest incurred on bond obligations relating to construction in progress during the course of the project. There was no interest capitalized in 2014 and 2013.

Net Assets

Invested in Capital Assets, net of Related Debt - consists of capital assets, net of accumulated depreciation and related debt on those capital assets.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted - consists of net assets that are restricted by outside parties or by law through constitutional provisions or enabling legislation. Wisconsin State Statute restricts certain assets for debt service purposes. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted - consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Classification of Revenue

The District has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions. Nonoperating revenues include interest income on investments and activities that have characteristics of non-exchange transactions including federal, state, and local grants and tax revenues.

Operating Expenses

The District reports operating expenses as allocated and unallocated. Expenses reported as allocated are specific costs allocated to events. The District has not allocated employee benefits, but rather reports all benefit costs as unallocated.

Financing Costs

Financing costs, included in the deferred inflows of resources, consist primarily of bond insurance policies and surety bonds related to the various bond issues. Financing costs are amortized using the straight-line method over the lives of the various bond issues.

Unearned Revenue

Unearned revenue represents advertising and naming rights revenue received prior to being earned. The revenue is recognized as earned over the period of the respective contract.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

NOTE 2 - MARKETING AND PROMOTIONAL AGREEMENT

The District has an agreement with Visit Milwaukee through 2015 which provided that the District would fund Visit Milwaukee at 50% exchange for advertising and promotion services directly benefiting the District.

The District paid \$8,257,673 and \$8,257,673 to Visit Milwaukee related to this agreement in 2014 and 2013, respectively.

NOTE 3 - TAX REVENUE

Pursuant to its limited taxing authority, the District is authorized to impose the following taxes:

Basic Room Tax

The District imposes the Basic Room Tax at the rate of 2.5 % on the gross receipts derived from the rental of rooms and lodging to transients by hotelkeepers, motel operators, and other persons furnishing accommodations available to the public. The Basic Room Tax is imposed on all such lodging within Milwaukee County. Under the Authorizing Legislation, the District Board adopted a resolution providing that if the balance for the Junior Debt Service Reserve Fund is less than the applicable special debt service reserve fund requirement, the Basic Room Tax will become 3% as of the succeeding January 1, April 1, July 1, or October 1 and such tax rate is irrevocable if any bonds issued by the District and secured by a special debt service reserve fund are outstanding.

The District may impose the Basic Room Tax at a rate not to exceed 3% by a vote of a majority of the District Board.



NOTE 3 - TAX REVENUE (continued)

Additional Room Tax

The District imposes the Additional Room Tax at the rate of 7% on the gross receipts derived from the rental of rooms and lodging to transients by hotelkeepers, motel operators, and other persons furnishing accommodations available to the public. The tax is imposed on all such lodging within the City of Milwaukee. Under the Authorizing Legislation, the District has no authority to increase the 7% Additional Room Tax rate.

Local Food and Beverage Tax

The District imposes the Local Food and Beverage Tax at the rate of 0.50% on the gross receipts derived from the sales of food and beverages that are subject to the Wisconsin sales or use tax. The tax is imposed on all such sales within Milwaukee County. Under the Authorizing Legislation, the District may not increase the rate of the Local Food and Beverage Tax beyond 0.50%.

Local Rental Car Tax

The District imposes the Local Rental Car Tax at the rate of 3% on the gross receipts derived from the rental (for a period of 30 days or less) on motor vehicles designed and used primarily for carrying persons, by establishments engaged in business within Milwaukee County which are primarily engaged in the short-term rental of passenger cars without drivers.

Under the Authorizing Legislation, the maximum rate for the Local Rental Car Tax is 4%. The tax rate can increase to 4% only if the State of Wisconsin makes a payment to restore the District's Junior Debt Service Reserve Fund under Section 229.50(7) of the Wisconsin Statute and the District Board then votes to increase such tax rate.

These District taxes are imposed on a seller's taxable receipts. Each of the District's taxes are collected, administered, and enforced for the District by the Wisconsin Department of Revenue (the Department). Each taxpayer is required to report its liability for District taxes to the Department, and remit the full amount of such taxes, on or before the last day of the month following the end of such taxpayer's reporting period. The Department is required to remit to the District the tax amounts collected, less a 2.55% statutory deduction which is retained by the Department to cover its administrative expenses. The District has entered into an agreement with the Department under which the Department will remit the net amounts collected, less the statutory deduction, by the 20th of each month.



NOTE 3 - TAX REVENUE (continued)

Local Rental Car Tax (continued)

All tax proceeds, except the Additional Room Tax, are restricted for the District's debt service on its bond obligations. The proceeds of the Additional Room Tax may be used for any lawful purpose of the District once sufficient restricted tax revenues are available on deposit to year debt obligations.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits and investments are presented in the financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash	\$ 116,932	\$ 118,175
Demand Deposits	3,676,796	2,771,844
Money Market Funds	13,132,165	13,449,654
Guaranteed Investment Contract	<u>19,419,126</u>	<u>18,056,701</u>
Totals	<u>\$ 36,345,019</u>	<u>\$ 34,396,374</u>
Unrestricted	3,793,736	2,890,018
Restricted	<u>32,551,283</u>	<u>31,506,356</u>
Totals	<u>\$ 36,345,019</u>	<u>\$ 34,396,374</u>

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a formal policy addressing this type of deposit risk.

As of December 31, 2014 and 2013, the District's carrying value of the deposits was \$3,676,796 and \$2,771,844, as compared to bank balances of \$3,793,736 and \$2,890,018 respectively. The bank balances of \$250,000 and \$1,228,394 at December 31, 2014 and 2013 respectively, were covered by federal depository insurance.



NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investment Policy

The District has not adopted a formal investment policy; however, the District invests in accordance with Wisconsin State Statute 66.0603. Under state statute, investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than 3 years;
- Bonds or securities of any county, city, village, town, drainage district, technical college district, or school district of the state;
- Bonds or securities issued or guaranteed by the Federal government;
- Any security which matures within not more than 7 years, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or similar rating agency;
- Securities of an open-end management investment company or investment trust, if the company or trust does not charge a sales load, is registered under the investment company act of 1940, and if the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed as to principal and interest by the federal government,
- Repurchase agreements that are fully collateralized by bonds or securities of the federal government,
- The state local government investment pool.

Credit Risk

Credit risk is the risk that, an issuer or other counterparty to an investment will not fulfill its obligations to the District. The District does not have a formal policy addressing this type of investment risk.

The District invests in guaranteed investment contracts (GIC); these types of investments are not rated by rating agencies such as Moody's Investor Service, Standard & Poor's or Fitch Ratings. As of December 31, 2014 and 2013, the District had \$19,419,122 and \$18,056,701, respectively, in these types of investments.

The District invests in money market funds that consist solely of U.S. treasury obligations. These types of investments are explicitly guaranteed by the U.S. government and are not considered subjected to credit risk. As of December 31, 2014 and 2013, the District had \$13,132,161 and \$13,449,654, respectively, in these types of investments.



NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk refers to risk of loss attributed to the District investments in a single issuer. The District does not have a formal policy addressing this type of investment risk. As of December 31, 2014 and 2013, the issuers with significant concentrations were:

<u>Issuer</u>	<u>2014</u>	<u>2013</u>
First American Government Obligated Fund	62%	61%
Prudential	38%	39%

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of money market investment funds and guaranteed investment contracts and are summarized as follows:

	<u>2014</u>	<u>2013</u>
Project Fund Construction Account	\$ 708	\$ 708
Junior Debt Service Reserve Fund	15,047,488	15,047,488
Revenue Fund Restricted Tax Revenues Account	9,389,255	10,080,721
Senior Principal Account	1,242,165	868,192
Surplus Account - Bonds	52	12
Bonds 1999 Interest Account	1,333,810	21
Principal Account - B Bonds	33	33
2013A Reserve Account	3,011,761	2,975,924
2013A Cost of Issuance Account	26,011	26,011
Milwaukee Theatre Renovation Debt Service Reserve Fund	-	7,246
Operating Reserve	2,500,000	2,500,000
	<u>\$ 32,551,283</u>	<u>\$ 31,506,356</u>

Pursuant to the terms of the General Resolution for the 1996 Series A and Series B bonds, the District maintains the required trust funds, which are held and administered by the bond trustee. The District's management assures the District is in compliance with the terms of the General Resolution.



NOTE 5 - RESTRICTED ASSETS (continued)

Project Fund Construction Account

The trustee disburses funds from the account upon receipt of a requisition or certificate of a District representative specifying that the amount requisitioned will be applied to pay or reimburse the District for payment and cost of the Project costs financed from the proceeds of the applicable series of Bonds.

Junior Debt Service Reserve Fund

An initial deposit to the Junior Debt Service Reserve Fund was made by the bond trustee from the proceeds of each series of Junior Bonds in an amount sufficient to satisfy the Junior Debt Service Reserve Fund requirement. If on any payment date the amount on deposit in the Junior Debt Service Reserve Fund is less than the requirement, the bond trustee is to promptly notify the District and withdraw from other funds in the following order: (a) the Revenue Fund Restricted Tax Revenues Account; (b) the Revenue Fund Unrestricted Tax Revenues he amount of the deficiency.

Revenue Fund Restricted Tax Revenues Account

All tax revenue restricted for the District's debt service on bond obligations are deposited into this account, including the Basic Room Tax, Local Food and Beverage Tax, and Local Rental Car Tax.

Senior Principal Account

Amounts deposited into the Principal Account are for making principal payments on the Series 1996A Senior Dedicated Tax Revenue Bonds. The account is funded by transfer from the Revenue Fund Restricted Tax Revenue Account.

Junior Interest Account

A semi-annual transfer is made from the Revenue Fund Restricted Tax Revenues Account into this account for the semi-annual interest payment on the Junior Bonds. Interest income derived from the investment of amounts on deposit in this account remain in the account and are credited against the amount next due to be transferred from the Revenue Fund. On each interest payment date, the trustee withdraws from this account an amount sufficient to pay the interest coming due on the Junior Bonds.



NOTE 5 - RESTRICTED ASSETS (continued)

Milwaukee Theatre Renovation Project Fund

The trustee disburses funds from the account upon receipt of a requisition or certificate of a District Representative specifying that the amount requisitioned will be applied to pay or reimburse the District for payment and cost of the project financed from the proceeds of the 2001 Variable Rate Demand Revenue Bonds.

Milwaukee Theatre Renovation Debt Service Reserve Fund

A deposit to the credit of the Milwaukee Theatre Renovation Debt Service Reserve Fund was made by the bond trustee from the proceeds of the 2013A Variable Rate Demand Revenue Bonds in an amount sufficient to satisfy the Milwaukee Theatre Renovation Debt Service Fund reserve requirement. If on any payment date the amount on deposit in the Milwaukee Theatre Renovation Debt Service Fund is less than the requirement, the bond trustee is to promptly notify the District and withdraw from other sources in the following order: (a) the Revenue Fund Restricted Tax Revenues Account; (b) US Bank, as guarantors in order to cover the deficiency.

Operating Reserve Account

This account was established and required by the 1996 bond issuance.



NOTE 6 - CAPITAL ASSETS

The District's capital assets are comprised of the following:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 22,958,953	\$ -	\$ -	\$ 22,958,953
Capital assets being depreciated:				
Buildings and improvements	233,459,560	1,863,073	-	235,322,633
Furniture, machinery, and equipment	9,019,567	2,326,927	-	11,346,494
Total capital assets being depreciated	<u>242,479,127</u>	<u>4,190,000</u>	<u>-</u>	<u>246,669,127</u>
Less accumulated depreciation for:				
Buildings and improvements	106,818,425	7,165,357	-	113,983,782
Furniture, machinery, and equipment	5,458,324	809,276	-	6,267,600
Total accumulated depreciation	<u>112,276,749</u>	<u>7,974,633</u>	<u>-</u>	<u>112,276,749</u>
Total capital assets being depreciated, net	<u>130,202,378</u>	<u>(3,784,634)</u>	<u>-</u>	<u>126,417,744</u>
Total capital assets, net	<u>\$ 153,161,329</u>	<u>\$ (3,784,634)</u>	<u>\$ -</u>	<u>\$ 149,376,695</u>



NOTE 6 - CAPITAL ASSETS (continued)

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Capital assets not being depreciated:				
Land	\$ 22,958,953	\$ -	\$ -	\$ 22,958,953
Capital assets being depreciated:				
Buildings and improvements	231,795,138	1,664,422	-	233,459,560
Furniture, machinery, and equipment	7,995,052	1,024,515	-	9,019,567
Total capital assets being depreciated	<u>239,790,190</u>	<u>2,688,937</u>	<u>-</u>	<u>242,479,127</u>
Less accumulated depreciation for:				
Buildings and improvements	99,813,251	7,005,174	-	106,818,425
Furniture, machinery, and equipment	4,672,874	785,450	-	5,458,324
Total accumulated depreciation	<u>104,486,125</u>	<u>7,790,623</u>	<u>-</u>	<u>112,276,749</u>
Total capital assets being depreciated, net	<u>135,304,065</u>	<u>(5,101,687)</u>	<u>-</u>	<u>130,202,378</u>
Total capital assets, net	<u>\$ 158,263,016</u>	<u>\$ (5,101,687)</u>	<u>\$ -</u>	<u>\$ 153,161,329</u>

NOTE 7 - CONCESSION IMPROVEMENT DEPOSITS

The District renewed a previous contract with Levy effective July 1, 2008 through June 30, 2015. Under this renewed contract, the District pays a flat annual fee of \$165,000 per year. Levy retains a variable incentive fee equal to 2% of gross revenues for the first, second and third contract years, and an amount equal to 3% of gross revenues for the fourth, fifth, sixth and seventh contract years.



Over the period of the contract, Levy made several deposits to the District, totaling \$2,050,000. The unamortized balance of \$1,300,000 is recognized as revenue on a monthly basis over a 120 month amortization period beginning in July 2008. A minimum of \$100,000 of this deposit is to be used to upgrade concession stands. As of December 31, 2014 and 2013, the District has \$455,000 and \$585,000 remaining on deposit, respectively.

NOTE 8 - OBLIGATION UNDER CAPITAL LEASE

The District is obligated under a Municipal Master Lease Agreement (Lease Agreement), which financed certain components of the UW-Milwaukee Panther Arena renovation project, including painting of superstructure and main equipment, concourse areas, purchasing a new scoreboard, refurbishing existing seating and purchasing new seating. A final payment of \$1,117,000 was due March 1, 2004. The Lease Agreement was renegotiated, the \$1,117,000 was refinanced and an additional \$233,000 was drawn on the Lease Agreement to finance certain additional equipment. The Lease Agreement bears interest at a variable rate (3.19% and 3.23% effective rate in 2014 and 2013, respectively) with monthly principal payments of \$7,500 and a final payment of \$900,000 on February 1, 2014. The interest rate was calculated at 3.00% plus the one month LIBOR rate quoted by Lessor from Telerate page 3750.

During 2010, the District entered into a capital lease agreement related to communication equipment. The lease agreement requires monthly payments of \$985 at an interest rate of 7.63%. Final payment was due in April 2013.

In June of 2011, the District entered into a lease agreement for its WIFI project. This lease agreement requires monthly payments of \$2,797 at an interest rate of 3.214%. The final payment is due on May, 2016.

In addition, the District is obligated on a capital lease agreement related to outdoor signage. The lease agreement requires monthly payments of \$7,514 at an interest rate of 7.75%. Final payment is due in November, 2014.

In October of 2014, the District purchased a scoreboard from Daktronics, and entered into a capital lease agreement with PNC Bank. This lease agreement requires monthly payments of \$20,975 at an interest rate of 3.397%. The final payment is due in September, 2019. Also, in July of 2014, a capital lease agreement was entered into for hi-definition camera equipment, with PNC. This lease agreement requires monthly payments of \$5,758 at an interest rate of 3.3996%. The final payment is due in June, 2019. In September of 2014, a capital lease agreement for additional scoreboard related equipment was entered into with PNC. This lease agreement requires monthly payments of \$1,182 at an interest rate of 3.293%. The final payment is due in August, 2019.



NOTE 8 - OBLIGATION UNDER CAPITAL LEASE (continued)

Aggregate maturities for the years subsequent to December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	469,703
2016	447,184
2017	430,258
2018	419,737
2019	<u>232,786</u>
Total minimum lease payments	1,999,668
Less: amount representing interest	<u>(155,780)</u>
Present value of minimum lease payments	<u>\$ 1,843,888</u>

NOTE 9 - LONG-TERM DEBT

In February 1996, the District issued \$63,455,548 in Senior Dedicated Tax Revenue Bonds, Series 1996A (1996 Senior Bonds) and \$121,540,000 in Junior Dedicated Tax Revenue Bonds, Series 1996B (1996 Junior Bonds). The bonds are special, limited obligations of the District payable from and secured by a pledge of tax revenues, bond proceeds, and certain of the funds and other monies held under the General Resolution.

The 1996 Senior Bonds are capital appreciation bonds and bear interest compounded semi-annually on each June 15 and December 15 at approximate yields ranging from 3.90% to 5.80%. Installments of the bonds mature on December 15 of each year through 2027. Interest on each installment is payable only at maturity. The bonds are insured by MBIA Insurance Corporation and not subject to optional redemption prior to maturity.

February 1999, the District issued \$125,775,000 in Junior Dedicated Tax Revenue Refunding Bonds, Series 1999 (1999 Junior Bonds). The 1999 Junior Bonds were issued in order to refund the outstanding balance of the 1996 Junior Bonds and also, to pay costs of issuance of the 1999 Junior Bonds. The bonds mature on December 15 of each year commencing 2012 and ending 2027. The bonds bear interest ranging from 4.25% to 5.25%. Interest on the bonds is payable semi-annually on June 15 and December 15. These bonds are insured by Financial Security Assurance, Inc. and are not subject to redemption prior to the stated maturity.

The difference between the reacquisition price on the 1999 Junior Bonds and the net carrying amount of the old debt is reflected as an accounting loss of \$9,460,975, which is recognized as a



reduction to long-term debt and amortized using the bonds outstanding method, which approximates an effective interest method, as a component of interest expense through the year 2027. The unamortized balance of the accounting loss at December 31, 2014 and 2013 was approximately \$2,927,792 and \$3,322,181, respectively.

NOTE 9 - LONG-TERM DEBT (continued)

The Junior Debt Service Reserve Fund, which secures the 1999 Junior Bonds, has been established as a “special debt service reserve fund” under Wisconsin Statutes. The District Board has adopted resolutions which provide that the rates for two of the District taxes (the Basic Room Tax and the Local Food and Beverage Tax) will increase in the event the amount on deposit in the Junior Debt Service Reserve Fund is less than the Junior Debt Service Reserve Fund requirement on any payment date.

In June 2001, the District issued \$30,000,000 in Variable Rate Demand Revenue Bonds, Series 2001A. These bonds were retired as discussed in the following paragraph. The Bonds were special, limited obligations of the District payable from and secured by a pledge of tax revenues and certain of the funds and other monies held under the indenture. The Milwaukee Theatre Renovation Debt Service Reserve Fund, which secures the Series 2001A Bonds, has been established as a “special debt service reserve fund” under Wisconsin Statutes. The bonds were to mature on December 15, 2026.

In March 2013, the District issued \$28,235,000 Junior Dedicated Tax Revenue Refunding Bonds, Series 2013A. The proceeds from the sale of the Series 2013A Junior Bonds were used to refund the District’s Variable Rate Demand Revenue Bonds, Series 2001A, to fund a deposit to the Series Reserve Account of the Junior Debt Service Reserve Fund, and to pay costs of issuance. The Series 2013A Junior Bonds are special, limited obligations of the District payable from and secured by a pledge of tax revenues and certain of the funds and other monies held under the indenture. The interest rates are from 3.5%. The bonds mature on December 15, 2032.

The underwriters’ discount on the 1996 Senior Bonds is being amortized over the life of the 1996 Senior Bonds (32 years). The bond premium and underwriters’ discount on the 1999 Junior Bonds is being amortized over the life of the 1999 Junior Bonds (29 years). The underwriters’ discount on the Series 2001A Bonds is being amortized over the life of the Series 2001A Bonds (26 years).

In August 2003, the District issued \$7,804,892 in Senior Dedicated Tax Revenue Refunding Bonds, Series 2003A. These bonds are capital appreciation bonds and bear interest compounded semi-annually on each June 15 and December 15 at approximate yields ranging from 5.73% to 5.76%. Installments of the bonds mature on December 15 of 2028 through 2032. Interest on each installment is payable only at maturity. The bonds are insured by Financial Security Assurance, Inc. and are not subject to optional redemption prior to maturity.



The difference between the reacquisition price on the 2003 Refunding Bonds and the net carrying amount of the old debt is reflected as an accounting loss of \$2,145,164, which is recognized as a reduction to long-term debt and amortized on a bonds outstanding method, which approximates an effective interest method, as a component of interest expense through the year 2027. The unamortized balance of the accounting loss was approximately \$666,789 and \$769,372 at December 31, 2014 and 2013, respectively.

NOTE 9 - LONG-TERM DEBT (continued)

Outstanding long-term debt as of December 31, 2014 and 2013 consists of the following:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2014</u>	<u>Due within one year</u>
Senior Dedicated Tax Revenue Bonds, Series 1996A	\$ 25,349,514	\$ -	\$ 2,469,232	\$ 22,880,282	\$ 2,469,232
Reclassification	(356,359)	-	-	(356,359)	-
Accumulated accretion	44,973,201	3,953,908	4,930,768	43,996,341	4,930,768
	<u>69,966,356</u>	<u>3,953,908</u>	<u>7,400,000</u>	<u>66,520,264</u>	<u>7,400,000</u>
Senior Dedicated Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Reclassification	356,359	-	-	356,359	-
Accumulated accretion	5,885,984	815,455	-	6,701,439	-
	<u>14,047,235</u>	<u>815,455</u>	<u>-</u>	<u>14,862,690</u>	<u>-</u>
Junior Dedicated Tax Revenue Refunding Bonds, Series 1999	123,475,000	-	2,455,000	121,020,000	3,295,000
Variable Rate Demand Revenue Bonds, Series 2001A	-	-	-	-	-
Bonds, Series 2013A	27,485,000	-	575,000	26,910,000	600,000
	<u>27,485,000</u>	<u>-</u>	<u>575,000</u>	<u>26,910,000</u>	<u>600,000</u>
Add (subtract) unamortized amounts for:					
Deferred inflow of resources, gain on reissuance Premiums	4,452,681	-	430,088	4,022,593	-
Deferred outflow of resources, loss on refunding Discounts	(377,428)	-	(43,434)	(333,994)	-
Loss on refunding	(4,153,788)	62,235	(496,972)	(3,594,581)	-
Total unamortized amounts	<u>(78,535)</u>	<u>62,235</u>	<u>(110,318)</u>	<u>94,018</u>	<u>-</u>
Total	<u>\$ 234,895,056</u>	<u>\$ 4,831,598</u>	<u>\$ 10,319,682</u>	<u>\$ 229,406,972</u>	<u>\$ 11,295,000</u>



NOTE 9 - LONG-TERM DEBT (continued)

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2013</u>	<u>Due within one year</u>
Senior Dedicated Tax Revenue Bonds, Series 1996A	\$ 28,131,248	\$ -	\$ 2,781,734	\$ 25,349,514	\$ 2,609,400
Reclassification	(356,359)	-	-	(356,359)	-
Accumulated accretion	45,390,204	4,201,263	4,618,266	44,973,201	4,790,577
	<u>73,165,093</u>	<u>4,201,263</u>	<u>7,400,000</u>	<u>69,966,356</u>	<u>7,400,000</u>
Senior Dedicated Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Reclassification	356,359	-	-	356,359	-
Accumulated accretion	5,115,444	770,540	-	5,885,984	-
	<u>13,276,695</u>	<u>770,540</u>	<u>-</u>	<u>14,047,235</u>	<u>-</u>
Junior Dedicated Tax Revenue Refunding Bonds, Series 1999	125,165,000	-	1,690,000	123,475,000	2,455,000
Variable Rate Demand Revenue Bonds, Series 2001A	30,000,000	-	30,000,000	-	-
Bonds, Series 2013A	-	28,235,000	750,000	27,485,000	575,000
	<u>-</u>	<u>28,235,000</u>	<u>750,000</u>	<u>27,485,000</u>	<u>575,000</u>
Add (subtract) unamortized amounts for:					
Deferred inflow of resources, gain on reissuance					-
Premiums	2,377,266	2,514,413	438,998	4,452,681	-
Deferred outflow of resources, loss on refunding					-
Discounts	(253,262)	(170,270)	(46,104)	(377,428)	-
Loss on refunding	(4,603,853)	(62,235)	(512,300)	(4,153,788)	-
Total unamortized amounts	<u>(2,479,849)</u>	<u>2,281,908</u>	<u>(119,406)</u>	<u>(78,535)</u>	<u>-</u>
Total	<u>\$ 239,126,939</u>	<u>\$ 35,488,711</u>	<u>\$ 39,720,594</u>	<u>\$ 234,895,056</u>	<u>\$10,430,000</u>



Aggregate maturities for the years subsequent to December 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	11,295,000	7,551,887	18,846,887
2016	12,220,000	7,360,900	19,580,900
2017 - 2021	78,130,000	32,099,638	110,229,638
2022 - 2026	102,405,000	18,782,550	121,187,550
2027 - 2031	65,460,000	4,179,125	69,639,125
2032	11,160,000	192,500	11,352,500
Total	<u>\$ 280,670,000</u>	<u>\$ 70,166,600</u>	<u>\$ 350,836,600</u>
Deferred outflow of resources, gain on reissuance:			
Unamortized premium	4,022,591		
Deferred inflow of resources, loss on refunding:			
Unamortized discount	(333,993)		
Unamortized loss on refunding	(3,594,581)		
Unamortized (future) accretion	<u>(51,357,045)</u>		
Total	<u>\$ 229,406,972</u>		

NOTE 10 - RETIREMENT PLAN

All full-time employees and some part-time employees of the District are participants in the City of Milwaukee Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan. All employees who work 1,040 hours are eligible to participate in the Employees' Retirement System. The Employees' Retirement System also provides death and disability benefits. A full description of all benefits provided by the Employees' Retirement System is contained in Chapter 36 of the City Charter. The Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, Wisconsin 53202. All reports can be found online at www.cmers.com.

Contribution rates are established by the City of Milwaukee Charter for employees hired prior to 1/1/14. The employees' share of the annual pension contribution is 5.5% of annual salaries, exclusive of overtime. Employees hired on or after 1/1/14, they will contribute 4% of their annual salary, exclusive of overtime. Due to Act 10, the employee share is paid by the employee. The District is charged for its share of the annual contribution based on actual salaries. The District's covered compensation, which included most employees for the years ended December 31, 2014 and 2013, was approximately \$3,850,000 and \$3,788,000, respectively; the employer's total payroll was \$5,095,225 and \$5,422,223, respectively. The District's share of the annual contribution including the employees' share paid by the District was approximately \$379,112 and \$352,532 in 2014 and 2013, respectively.

Employees of the District are eligible to participate in the District's deferred compensation plan. Contributions by employees of the District to the plan during 2014 and 2013 were \$150,029 and \$153,731, respectively



NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE

The District participates in the City of Milwaukee healthcare plan. The City is self-insured for benefits under the plan. The plan provides other postemployment benefits (OPEB) to its retirees for health insurance. The plan provides for benefits based on several employee groups. For purposes of the plan, the District’s employees are classified as “general City of Milwaukee employees”.

Plan Description

The City plan is a single-employer defined benefit healthcare plan administered by both the City of Milwaukee and Milwaukee’s Employee Retirement System (MERS) and United Health Care. The City of Milwaukee provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City of Milwaukee to its active employees. Currently, a PPO plan, (aka the Basic Plan) and an EPO plan, (aka a Health Maintenance Organization (HMO) plan) are offered to active employees.

The plan provides full health insurance coverage to “general City of Milwaukee employees” hired prior to 1/1/14 who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. For those employees hired after 1/1/14, they may retire at age 60 with 30 years of creditable service or are 65 with 15 years of creditable service. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same manner as active management employees, currently 12%.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a “subsidized plan” for medical insurance. Under the PPO Plan or Basic Plan, the employer contributes 25% of the cost and the retiree pays 75% of the cost and 100% of the major medical rate. Under the HMO Plan, the employer contributes a 25% subsidy of the applicable EPO cost or HMO premium.

Funding Policy

The contribution of plan members and the employer are established and may be amended by the City of Milwaukee Common Council. The required contribution is based on pay-as-you-go financing. For the year ended December 31, 2014 and 2013, District and plan members receiving benefits paid approximately \$30,000 and \$48,000, respectively toward medical insurance for retirees.



NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Costs and Net OPEB Obligation

The City of Milwaukee’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The District has estimated its portion of the expense and ARC based on the number of District retirees as a percentage of total retirees in the City of Milwaukee General Employees classification

The following table show the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you-go basis), and the changes in the District’s net OPEB obligation:

	<u>2014</u>	<u>2013</u>
Annual Required Contribution (ARC)	\$ 64,169	\$ 74,834
Interest on Net OPEB Obligation	6,287	7,331
Adjustment to ARC	<u>(5,698)</u>	<u>(6,645)</u>
Annual OPEB Cost	64,758	75,520
Contribution made	<u>(30,000)</u>	<u>(48,000)</u>
Increase in net OPEB Obligation	34,758	27,520
Net OPEB obligation - beginning of year	<u>76,572</u>	<u>49,052</u>
Net OPEB obligation - end of year	<u>\$ 111,330</u>	<u>\$ 76,572</u>

The OPEB obligation is included in accrued expenses on the Statement of Net Assets. The District’s annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and 2013 were as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
12/31/2014	\$ 64,758	46.00%	\$ 111,330
12/31/2013	\$ 75,520	64.00%	\$ 76,572



NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress

The most recent actuarial valuation conducted by the City of Milwaukee was as of January 1, 2013.

The District has estimated its portion of the City of Milwaukee's actuarial accrued liability based on the number of District retirees as a percentage of total retirees in the City of Milwaukee General Employees classification. The actuarial accrued liability for benefits was \$776,081 and \$905,065 for December 31, 2014 and 2013, respectively, and the GASB value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$776,081 and \$905,065 for December 31, 2014 and 2013, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$3,810,950 and \$3,788,000 and the ratio of the UAAL to the covered payroll was 20.36 and 23.89 percent, for December 31, 2014 and 2013, respectively.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the plan and the annual required contributions of the Employer, and are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal costs and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirements. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

The OPEB valuation uses a discount rate assumption of 4.5 percent based on the City of Milwaukee's projected short-term investment rate of return. The healthcare cost trends rate is 9.0 percent initially, and reduced by decrements to the ultimate rate of 4.5 percent after 10 years.



NOTE 12 - ADVERTISING AGREEMENTS

The District has negotiated advertising agreements with several corporations for the right to advertise on the Arena's main and auxiliary scoreboards and the video walls of the Wisconsin Center's Exhibit Halls. The original terms of these agreements require varying annual payments and have expiration dates ranging through 2014. The District has negotiated trade agreements with several corporations for miscellaneous advertising in promotional material in exchange for equipment and rate reductions. The District recognized advertising and naming rights revenues of \$1,158,700 and \$1,290,382 in 2014 and 2013, respectively, under the advertising and naming rights agreements.

Future aggregate advertising and naming rights revenues under the agreements are as follows:

	<u>Advertising Rights</u>	<u>Naming Rights</u>	<u>Total</u>
2015	400,833	383,333	784,166
2016	177,813	300,000	477,813
Total	<u>\$ 578,646</u>	<u>\$ 683,333</u>	<u>\$ 1,261,979</u>

On June 1, 2007, the District entered into a seven-year Arena Naming Rights Agreement (Arena Agreement) with United States Cellular Corporation (U.S. Cellular). Under the terms of the Arena Agreement, the District granted U.S. Cellular the right to change the name of the "Milwaukee Arena" to the "U.S. Cellular Arena," the right to promote its business through comprehensive signage and pertinent marketing activities in exchange for significant financial support, and the right to be the exclusive wireless telecommunications provider to the District. U.S. Cellular is to pay a total of \$2,450,000 to the District over the seven-year term of the agreement payable in annual installments ranging from \$310,000 to \$340,000.

In June of 2014, U.S. Cellular Arena did not renew their contract. The District entered into a 10 year agreement with UW-Milwaukee, under the terms, the District granted UW-Milwaukee the right to change the name of the U.S. Cellular Arena to the UW-Milwaukee Panther Arena, the right to promote its business through comprehensive signage and pertinent marketing activities in exchange for significant financial support and the right to book priority. UW-Milwaukee is to pay a total of \$3,425,000 to the District over the ten year term of the agreement payable in annual installments ranging from \$300,000 to \$375,000



NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; error and omissions, injuries to employees; employee health claims, unemployment compensation claims; and environmental damage for which the District purchases commercial insurance. There has been no reduction in insurance coverage from coverage in prior years. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 15 - SUBSEQUENT EVENTS

Management evaluated subsequent events through April 22, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to April 22, 2015 that provide additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2014.



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ADDITIONAL INFORMATION



**WISCONSIN CENTER DISTRICT
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
RETIREE HEALTH INSURANCE
For the Year Ended December 31, 2014**

Year Ending	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Unit Credit Actuary Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	1/1/2011	\$ -	\$ 1,034,794	\$ 1,034,794	0.00%	\$ 3,732,700	27.72%
12/31/2013	1/1/2013	\$ -	\$ 905,065	\$ 905,065	0.00%	\$ 3,788,000	23.89%
12/31/2014	1/1/2013	\$ -	\$ 776,081	\$ 776,081	0.00%	\$ 3,810,950	20.36%



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**WISCONSIN CENTER DISTRICT
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Wisconsin Center District
Milwaukee, Wisconsin

We have audited, in accordance with the 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, the financial statements of Wisconsin Center District ("the District") as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, which appears to read "Coleman & Williams, Ltd." The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
April 22, 2015