

WISCONSIN CENTER DISTRICT
Milwaukee, Wisconsin

FINANCIAL STATEMENTS
December 31, 2009 and 2008

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Independent Auditor's Report

Board of Directors
Wisconsin Center District
Milwaukee, Wisconsin

We have audited the accompanying statements of net assets of Wisconsin Center District (the District), as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 6 and the schedule of funding progress on page 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Milwaukee, Wisconsin
April 28, 2010

WISCONSIN CENTER DISTRICT

Management's Discussion and Analysis

Years ended December 31, 2009 and 2008

(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, 2009.

Financial Highlights

Year Ended December 31, 2009

- The liabilities of the District exceeded its assets at December 31, 2009 by \$44,456,040 (net assets-deficit). Of this amount, \$2,625,243 is restricted for debt service and \$(390,888) is associated with investments in capital assets, net of related debt. This leaves a deficit of \$46,690,395 for unrestricted net assets.
- The District's December 31, 2009 total net asset-deficit balance of \$(44,456,040) reflected a reduction of \$9,371,439 from December 31, 2008 deficit balance of \$(35,084,601).

Year Ended December 31, 2008

- The liabilities of the District exceeded its assets at December 31, 2008 by \$35,084,601 (net assets-deficit). Of this amount, \$3,592,518 is restricted for debt service and \$1,459,973 is associated with investments in capital assets, net of related debt. This leaves a deficit of \$40,137,092 for unrestricted net assets.
- The District's December 31, 2008 total net asset-deficit balance of \$(35,084,601) reflected a reduction of \$5,714,676 from December 31, 2007 deficit balance of \$(29,369,925).

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 is 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 assets, 2) statements of revenues, expenses, and changes in net assets, 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 assets present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Additionally, unrestricted net assets represent 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 assets present information showing how the net assets changed during the most recent fiscal year. All changes in net assets 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 assets, statements of revenues, expenses and changes in net assets and statements of cash flows can be found on pages 7 through 11 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 12 through 32 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. In the case of the District, assets were less than liabilities by \$44,456,040 at the close of the most recent fiscal year. This compares to \$35,084,601 at the close of the previous year.

Condensed Statement of Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 29,735,601	\$ 33,488,753	\$ 32,905,827
Capital assets	<u>175,766,647</u>	<u>182,271,403</u>	<u>187,922,183</u>
Total assets	<u>205,502,248</u>	<u>215,760,156</u>	<u>220,828,010</u>
Current liabilities	11,299,308	11,282,695	9,981,417
Long-term liabilities	<u>238,658,980</u>	<u>239,562,062</u>	<u>240,216,518</u>
Total liabilities	<u>249,958,288</u>	<u>250,844,757</u>	<u>250,197,935</u>
Net Assets			
Invested in capital assets, net of related debt	(390,888)	1,459,973	4,449,927
Restricted	2,625,243	3,592,518	3,042,927
Unrestricted	<u>(46,690,395)</u>	<u>(40,137,092)</u>	<u>(36,862,779)</u>
Total net assets	<u>\$ (44,456,040)</u>	<u>\$ (35,084,601)</u>	<u>\$ (29,369,925)</u>

A significant portion of the District's net assets, \$(390,888) (\$1,459,973 at December 31, 2008) 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, \$2,625,243 of the District's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets. This unrestricted net asset balance is a deficit of \$46,690,395 (\$40,137,092 at December 31, 2008). The deficit in unrestricted net assets can be broken down into two components. The first component is an accumulation of interest costs on capital appreciation bonds, approximately \$47,240,000 (\$45,130,000 at December 31, 2008). The second component is the accumulation of surpluses and deficits, excluding interest expense on capital appreciation bonds, since the creation of the District, approximately \$550,000 in net surplus (\$4,993,000 at December 31, 2008).

Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Rental and labor service revenues	\$ 5,278,129	\$ 5,158,374	\$ 5,302,141
Other	5,520,948	6,315,846	6,107,931
Total operating revenues	<u>10,799,077</u>	<u>11,474,220</u>	<u>11,410,072</u>
Operating expenses:			
Allocated expenses:	7,417,331	7,177,400	7,253,719
Unallocated operating expenses	9,081,909	9,224,202	8,640,981
Depreciation and amortization	<u>7,386,186</u>	<u>7,356,675</u>	<u>7,539,612</u>
Total operating expenses	<u>23,885,426</u>	<u>23,758,277</u>	<u>23,434,312</u>
Nonoperating income (expenses):			
Net tax revenue	16,026,288	18,637,140	17,662,460
Bond amortization and interest expense	(13,324,351)	(13,310,276)	(13,866,258)
Other	<u>1,012,973</u>	<u>1,242,517</u>	<u>1,822,500</u>
Net nonoperating income (expense)	<u>3,714,910</u>	<u>6,569,381</u>	<u>5,618,702</u>
Decrease in net assets	(9,371,439)	(5,714,676)	(6,405,538)
Net assets (deficit) - beginning of year	<u>(35,084,601)</u>	<u>(29,369,925)</u>	<u>(22,964,387)</u>
Net assets (deficit) - end of year	<u>\$ (44,456,040)</u>	<u>\$ (35,084,601)</u>	<u>\$ (29,369,925)</u>

Year Ended December 31, 2009

The 2009 total operating revenues of \$10,799,077 reflects a decrease of \$675,143 (or 5.9%) when compared to the 2008 total amount of \$11,474,220. This decline in revenue is primarily attributable to less revenue generated from national conventions.

The 2009 total operating expenses of \$23,885,426 reflects an increase of \$127,149 (or 0.5%) when compared to the 2008 amount of \$23,758,277. This increase is primarily attributable to the cost of living adjustments in the organization payroll.

The 2009 net non-operating income of \$3,605,308 reflects a decrease of \$2,856,477 (or 44.2%) when compared to the 2008 amount of \$6,461,785. This change is primarily attributable to the 2008 decrease in net tax revenue of \$2,610,852.

Year Ended December 31, 2008

The 2008 total operating revenues of \$11,474,220 reflects an increase of \$64,148 (or 0.6%) when compared to the 2007 total amount of \$11,410,072. This overall flattening of revenue is primarily attributable to increased Theatre and Arena revenue offset by less revenue generated from national conventions.

The 2008 total operating expenses of \$23,758,277 reflects an increase of \$323,965 (or 1.4%) when compared to the 2007 amount of \$23,434,312. This increase is primarily attributable to the cost of living adjustments in the organization payroll.

The 2008 net non-operating income of \$6,569,381 reflects an increase of \$950,679 (or 16.9%) when compared to the 2007 amount of \$5,618,702. This change is primarily attributable to the 2008 increase in net tax revenue of \$974,680.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of December 31, 2009, amounts to \$175,766,647 (net of accumulated depreciation). At December 31, 2008, the investment was \$182,271,403. Capital assets include land, buildings, improvements, and machinery and equipment. The total decrease in the District's capital assets from 2008 to 2009 was \$6,504,756 (or 3.5%). This decrease was a result of the District recording depreciation on its capital assets.

A summary of capital Assets as of December 31, 2009, 2008, and 2007 is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 22,958,953	\$ 22,958,953	\$ 22,958,953
Buildings and improvements, net	151,613,942	158,238,414	164,169,746
Furniture, machinery and equipment, net	<u>1,193,752</u>	<u>1,074,036</u>	<u>793,484</u>
Total	<u>\$ 175,766,647</u>	<u>\$ 182,271,403</u>	<u>\$ 187,922,183</u>

Additional information on the District's capital assets can be found in note 6 on pages 22 and 23 of this report.

Long-term debt. At December 31, 2009, the District had total bonded debt outstanding of \$197,390,335 (net of unamortized bond premiums, discounts, and losses on refunding), of which \$3,049,137 is current. At December 31, 2008, the District had total bonded debt outstanding of \$200,040,631, of which \$2,979,020 is current. This debt represents bonds secured by specified future tax collections of the District. In addition, the District had \$46,960,362 in accrued interest at December 31, 2009 (\$44,840,791 at December 31, 2008) related to the capital appreciation bonds.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Bonded debt outstanding	\$ 200,802,958	\$ 203,781,978	\$ 206,673,986
Unamortized premium, discount and loss on refunding	<u>(3,412,623)</u>	<u>(3,741,347)</u>	<u>(4,077,625)</u>
Subtotal	197,390,335	200,040,631	202,596,361
Accumulated accretion	<u>46,960,362</u>	<u>44,840,791</u>	<u>42,258,307</u>
Total	<u>244,350,697</u>	<u>244,881,422</u>	<u>244,854,668</u>
Current portion			
Bonded debt	(3,049,137)	(2,979,020)	(2,892,008)
Accumulated accretion	<u>(3,685,863)</u>	<u>(3,175,980)</u>	<u>(2,707,992)</u>
	<u>(6,735,000)</u>	<u>(6,155,000)</u>	<u>(5,600,000)</u>
Long-term portion	<u>\$ 237,615,697</u>	<u>\$ 238,726,422</u>	<u>\$ 239,254,668</u>

Additional information on the District's long-term debt can be found in note 9 on pages 25 through 27 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 ASSETS
December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,400,742	\$ 2,951,363
Accounts receivable, less allowance for doubtful accounts of \$106,857 in 2009 and \$81,643 in 2008	763,500	1,055,607
Tax revenues receivable	2,407,078	2,519,899
Loans receivable, current portion	45,133	42,511
Prepaid expenses and other current assets	<u>56,549</u>	<u>187,971</u>
Total current assets	<u>5,673,002</u>	<u>6,757,351</u>
Noncurrent assets		
Restricted cash and cash equivalents	21,211,916	24,064,971
Restricted interest receivable	378,068	39,852
Loans receivable, less current portion	526,915	572,048
Financing costs, net of accumulated amortization of \$1,425,695 in 2009 and \$1,316,865 in 2008	1,945,700	2,054,531
Capital assets		
Non-depreciable	22,958,953	22,958,953
Depreciable, net	<u>152,807,694</u>	<u>159,312,450</u>
Total noncurrent assets	<u>199,829,246</u>	<u>209,002,805</u>
Total assets	<u>205,502,248</u>	<u>215,760,156</u>
Liabilities		
Current liabilities		
Current installments of bonds payable	6,735,000	6,155,000
Accounts payable	954,913	1,157,848
Accrued expenses	335,350	477,024
Accrued interest expense	279,188	289,220
Concession improvement deposits	1,105,000	1,235,000
Deferred revenue	1,732,619	1,842,392
Obligation under capital lease, current portion	<u>157,238</u>	<u>126,211</u>
Total current liabilities	<u>11,299,308</u>	<u>11,282,695</u>
Long-term liabilities		
Obligation under capital lease, less current portion	1,043,283	835,640
Bonds payable, net, less current portion	<u>237,615,697</u>	<u>238,726,422</u>
Total long-term liabilities	<u>238,658,980</u>	<u>239,562,062</u>
Total liabilities	<u>249,958,288</u>	<u>250,844,757</u>
Net Assets		
Invested in capital assets, net of related debt	(390,888)	1,459,973
Restricted for debt service	2,625,243	3,592,518
Unrestricted (deficit)	<u>(46,690,395)</u>	<u>(40,137,092)</u>
Total net assets (deficit)	<u>\$ (44,456,040)</u>	<u>\$ (35,084,601)</u>

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

**WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Operating revenue		
Space rentals	\$ 3,073,815	\$ 3,319,999
Equipment rentals	805,524	959,691
Commission on concession sales	2,148,564	2,485,749
Labor service revenue	1,398,790	878,684
Advertising revenue	1,318,657	1,266,757
Information technology revenue	461,676	564,385
Box office revenue	528,046	799,113
Parking revenue	511,447	630,342
Other	<u>552,558</u>	<u>569,500</u>
Total operating revenue	<u>10,799,077</u>	<u>11,474,220</u>
Operating expenses		
Allocated expenses		
Wages	3,075,252	3,201,372
Utilities	1,730,506	1,792,037
Building maintenance and repairs	931,856	1,096,731
Ticket expenses	81,025	86,370
Other	<u>1,598,692</u>	<u>1,000,890</u>
Total allocated operating expenses	<u>7,417,331</u>	<u>7,177,400</u>
Unallocated expenses		
Administrative salaries and wages	1,805,322	1,753,387
Employee benefits	2,006,268	1,756,927
Advertising and promotion	4,272,755	4,785,520
Legal services	18,621	14,519
Insurance	522,163	512,054
Professional services	142,325	52,548
Depreciation	7,386,186	7,356,675
Other	<u>314,455</u>	<u>349,247</u>
Total unallocated operating expenses	<u>16,468,095</u>	<u>16,580,877</u>
Total operating expenses	<u>23,885,426</u>	<u>23,758,277</u>
Operating loss	<u>(13,086,349)</u>	<u>(12,284,057)</u>

**WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Nonoperating income (expense)		
Tax revenue		
Additional room tax revenue	\$ 7,572,637	9,285,558
Basic room tax revenue	2,950,327	3,608,095
Food and beverage tax revenue	3,991,474	4,049,855
Rental car tax revenue	1,931,213	2,181,316
	<u>16,445,651</u>	<u>19,124,824</u>
State of Wisconsin administrative fee	<u>(419,363)</u>	<u>(487,684)</u>
Net tax revenue	16,026,288	18,637,140
Interest income	1,012,973	1,242,517
Bond amortization and interest expense	(13,324,351)	(13,310,276)
Donation revenue - transit study	-	723
Federal grant revenue - transit study	820,898	243,506
Expenditures - transit study	<u>(820,898)</u>	<u>(244,229)</u>
Total nonoperating income (expense)	<u>3,714,910</u>	<u>6,569,381</u>
Change in net assets	(9,371,439)	(5,714,676)
Net assets (deficit), beginning of year	<u>(35,084,601)</u>	<u>(29,369,925)</u>
Net assets (deficit), end of year	<u>\$ (44,456,040)</u>	<u>\$ (35,084,601)</u>

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

**WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers	\$ 10,981,411	\$ 11,522,910
Payments to suppliers	(9,813,911)	(8,789,427)
Payments to employees	<u>(7,028,516)</u>	<u>(6,607,378)</u>
Net cash used in operating activities	<u>(5,861,016)</u>	<u>(3,873,895)</u>
Cash flows from noncapital financing activities		
Receipts from additional room tax	7,685,458	9,454,365
Receipts from basic room tax	2,950,327	3,608,095
Receipts from food and beverage tax	3,991,474	4,049,855
Receipts from rental car tax	1,931,213	2,181,316
Federal grant and other donations for transit study	820,898	244,229
Transit study expenditures	(820,898)	(244,229)
Payment of tax collection administrative fee	<u>(419,363)</u>	<u>(487,684)</u>
Net cash provided by noncapital financing activities	<u>16,139,109</u>	<u>18,805,947</u>
Cash flows from capital and related financing activities		
Principal payment on bonds payable	(2,979,020)	(2,892,008)
Interest paid on bonds payable	(10,777,257)	(10,314,050)
Payment on capital lease agreement	(134,083)	(123,641)
Capital assets purchased	<u>(508,677)</u>	<u>(1,705,893)</u>
Net cash used in capital and related financing activities	<u>(14,399,037)</u>	<u>(15,035,592)</u>
Cash flows from investing activities		
Interest income	674,757	1,242,985
Payments received on loans receivable	<u>42,511</u>	<u>40,041</u>
Net cash provided by investing activities	<u>717,268</u>	<u>1,283,026</u>
Increase (decrease) in cash and cash equivalents	(3,403,676)	1,179,486
Cash and cash equivalents, beginning of year	<u>27,016,334</u>	<u>25,836,848</u>
Cash and cash equivalents, end of year	<u>\$ 23,612,658</u>	<u>\$ 27,016,334</u>

(continued)

**WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating loss	\$ (13,086,349)	\$ (12,284,057)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	7,386,186	7,356,675
Change in operating assets and liabilities		
Accounts receivable	292,107	258,351
Prepaid expenses and other assets	131,422	20,063
Accounts payable and other liabilities	(454,382)	365,073
Concession improvement deposits	<u>(130,000)</u>	<u>410,000</u>
Net cash used in operating activities	<u>\$ (5,861,016)</u>	<u>\$ (3,873,895)</u>
Reconciliation of cash and cash equivalents to the statement of net assets		
Unrestricted cash and cash equivalents		
Box office cash and cash equivalents	\$ 555,284	\$ 519,046
Other operating cash and cash equivalents	<u>1,845,458</u>	<u>2,432,317</u>
Total unrestricted cash and cash equivalents	2,400,742	2,951,363
Restricted cash and cash equivalents	<u>21,211,916</u>	<u>24,064,971</u>
Cash and cash equivalents, end of year	<u>\$ 23,612,658</u>	<u>\$ 27,016,334</u>
Noncash investing, capital and financing activities		
Acquisition of assets through capital lease	<u>\$ 372,753</u>	<u>\$ -</u>

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

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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, together with the non-Milwaukee County portions of each city and village that is partially contained 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 U.S. Cellular 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 Midwest Airlines 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 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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

	<u>Building</u>	<u>Improvements</u>	<u>Furniture, Machinery, and Equipment</u>
Midwest Airlines Center	50 years	10-20 years	5-20 years
Milwaukee Theatre	20 years	8-20 years	5-20 years
U.S. Cellular Arena and other	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 2009 and 2008.

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.

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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financing Costs

Financing costs consist primarily of legal services, bond insurance policies, surety bonds, refinancing costs, and bond guarantee fees incurred related to the various bond issues. Financing costs are amortized on the straight line method over the lives of the various bond issues.

Deferred Revenue

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

NOTE 2 - MARKETING AND PROMOTIONAL AGREEMENT

The District utilizes the services of Visit Milwaukee to market and promote Milwaukee as a national convention, tourism, and special event destination. The District relies upon Visit Milwaukee's professional expertise to market the District's facilities.

The District has an agreement with Visit Milwaukee, whereby the District is to pay Visit Milwaukee the greater of \$4,000,000 per year or 55% of the prior year's City of Milwaukee Additional Room Tax in exchange for advertising and promotion services of Visit Milwaukee directly benefiting the District. The District paid \$4,165,000 and \$4,600,000 to Visit Milwaukee related to this agreement in 2009 and 2008, respectively. The life of the agreement was extended to January 1, 2006 by an amendment in 2000. After January 1, 2006, the agreement is automatically extended on an annual basis; however, the agreement cannot be extended beyond January 1, 2011 without a renewed contract.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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% 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 may impose the Basic Room Tax at a rate not to exceed 3% by a vote of a majority of the District Board. The District Board adopted a resolution providing that if the balance in 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 next 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.

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 0.25% 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 increase the rate of the Local Food and Beverage Tax from 0.25% to 0.50% by a vote of a majority of the authorized members of the District Board.

The District Board adopted a resolution providing that if the balance in the Junior Debt Service Reserve Fund is less than the applicable special debt service reserve fund requirement, the Local Food and Beverage Tax rate will become 0.50% as of the next 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.

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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 3 - TAX REVENUE (continued)

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.

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 meet the current year debt obligations.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Cash	\$ 35,660	\$ 33,620
Demand Deposits	2,365,082	2,416,887
Certificate of Deposit - non-negotiable	-	500,856
Money Market Funds	3,564,428	6,417,482
Guaranteed Investment Contract	<u>17,647,488</u>	<u>17,647,489</u>
Totals	<u>\$ 23,612,658</u>	<u>\$ 27,016,334</u>
Unrestricted	\$ 2,400,742	\$ 2,951,363
Restricted	<u>21,211,916</u>	<u>24,064,971</u>
Totals	<u>\$ 23,612,658</u>	<u>\$ 27,016,334</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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, 2009 and 2008, the District's carrying value of the deposits was \$2,365,082 and \$2,917,743, as compared to bank balances of \$2,404,413 and \$2,949,312, respectively. Of the bank balances at December 31, 2009 and 2008, \$2,404,413 and \$500,000 was covered by federal depository insurance, respectively. The remaining balance at December 31, 2008 was uninsured and uncollateralized.

Investment Policy

The District has not adopted a formal investment policy; however, the District invests in accordance with Wisconsin State Statutes. 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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk (continued)

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, 2009 and 2008, the District had \$17,647,488 and \$17,647,489, 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, 2009 and 2008, the District had \$3,564,428 and \$6,417,482, respectively, in these types of investments.

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, 2009 and 2008, the issuers with significant concentrations were:

<u>Issuer</u>	<u>2009</u>	<u>2008</u>
MBIA	0%	63%
J.P. Morgan Chase	12%	11%
Prudential	71%	0%

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 5 - RESTRICTED ASSETS

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

	<u>2009</u>	<u>2008</u>
Project Fund Construction Account	\$ 707	\$ 707
Junior Debt Service Reserve Fund	15,047,488	15,047,488
Revenue Fund Restricted Tax Revenues Account	1,791,877	2,656,301
Senior Principal Account	671,785	742,770
Junior Interest Account	-	468,364
Interest accrued on Junior Interest Account	378,068	39,852
Milwaukee Theatre Renovation Project Fund	88	88
Milwaukee Theatre Renovation Debt Service Reserve Fund	2,649,971	2,643,564
Surplus Accounting Bonds	-	1,887
Principal Account	-	3,802
Operating Reserve	<u>1,050,000</u>	<u>2,500,000</u>
	<u>\$ 21,589,984</u>	<u>\$ 24,104,823</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.

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 Account; (c) the Special Redemption Fund; (d) the Project Fund Construction Account in order to cover the amount of the deficiency.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 5 - RESTRICTED ASSETS (continued)

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.

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

An initial deposit to the credit of the Milwaukee Theatre Renovation Debt Service Reserve Fund was made by the bond trustee from the proceeds of the 2001 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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - CAPITAL ASSETS

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

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2009</u>
Capital assets not being depreciated:				
Land	\$ 22,958,953	\$ -	\$ -	\$ 22,958,953
Capital assets being depreciated:				
Buildings and improvements	217,854,805	199,786	-	218,054,591
Furniture, machinery, and equipment	<u>16,031,529</u>	<u>681,644</u>	<u>-</u>	<u>16,713,173</u>
Total capital assets being depreciated	<u>233,886,334</u>	<u>881,430</u>	<u>-</u>	<u>234,767,764</u>
Less accumulated depreciation for:				
Buildings and improvements	59,616,391	6,824,258	-	66,440,649
Furniture, machinery, and equipment	<u>14,957,493</u>	<u>561,928</u>	<u>-</u>	<u>15,519,421</u>
Total accumulated depreciation	<u>74,573,884</u>	<u>7,386,186</u>	<u>-</u>	<u>81,960,070</u>
Total capital assets being depreciated, net	<u>159,312,450</u>	<u>(6,504,756)</u>	<u>-</u>	<u>152,807,694</u>
Total capital assets, net	<u>\$ 182,271,403</u>	<u>\$ (6,504,756)</u>	<u>\$ -</u>	<u>\$ 175,766,647</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 6 - CAPITAL ASSETS (continued)

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2008</u>
Capital assets not being depreciated:				
Land	\$ 22,958,953	\$ -	\$ -	\$ 22,958,953
Capital assets being depreciated:				
Buildings and improvements	216,917,197	937,608	-	217,854,805
Furniture, machinery, and equipment	<u>15,263,244</u>	<u>768,285</u>	<u>-</u>	<u>16,031,529</u>
Total capital assets being depreciated	<u>232,180,441</u>	<u>1,705,893</u>	<u>-</u>	<u>233,886,334</u>
Less accumulated depreciation for:				
Buildings and improvements	52,747,451	6,868,940	-	59,616,391
Furniture, machinery, and equipment	<u>14,469,760</u>	<u>487,733</u>	<u>-</u>	<u>14,957,493</u>
Total accumulated depreciation	<u>67,217,211</u>	<u>7,356,673</u>	<u>-</u>	<u>74,573,884</u>
Total capital assets being depreciated, net	<u>164,963,230</u>	<u>(5,650,780)</u>	<u>-</u>	<u>159,312,450</u>
Total capital assets, net	<u>\$ 187,922,183</u>	<u>\$ (5,650,780)</u>	<u>\$ -</u>	<u>\$ 182,271,403</u>

NOTE 7 - CONCESSION IMPROVEMENT DEPOSITS

The District executed a caterer contract with Levy Premium Foodservice Limited Partnership (Levy) for 2003 through 2008. Under this contract, the District paid a flat annual fee of \$125,000 during each of the first two years and \$150,000 during each of the last three years. In addition, Levy retains a variable annual incentive fee equal to 2% of gross sales from concession and catering revenue collected. The District renewed the 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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 7 - CONCESSION IMPROVEMENT DEPOSITS (continued)

The 2003 contract also required Levy to deposit \$1,500,000 with the District for capital improvements, which has been reported as concession improvement deposits. The District recognizes this deposit as revenue on a monthly basis on a 120 month amortization period. At the time of the contract renewal, there was an unamortized balance of \$750,000 on the original deposit made by Levy. The new contract required an additional deposit of \$550,000 to be made to the District. The resulting deposit of \$1,300,000 is recognized as revenue on a monthly basis on 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, 2009 and 2008, the District has \$1,105,000 and \$1,235,000 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 U.S. Cellular 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 (3.25% and 3.18% effective rate in 2009 and 2008, 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 1.75% plus the one month LIBOR rate quoted by Lessor from Telerate page 3750.

In addition, the District is obligated under the 2007 Genie Broomlift Lease Agreement. This lease agreement requires monthly payments of \$3,159 at an interest rate of 7.38%. Final payment is due in January, 2010.

During 2009, the District entered into 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 October, 2014.

Aggregate maturities for the years subsequent to December 31, 2009 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 209,002
2011	201,539
2012	200,000
2013	197,079
2014	<u>601,588</u>
Total minimum lease payments	1,409,208
Less: amount representing interest	<u>(208,687)</u>
Present value of minimum lease payments	<u>\$ 1,200,521</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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.

In 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 advance refund the outstanding balance of the 1996 Junior Bonds and 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, 2009 and 2008 was approximately \$4,952,000 and \$5,362,000, respectively.

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. The 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 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 interest rate on these bonds was 0.26% and 0.8% at December 31, 2009 and 2008, respectively. The interest rate is the lesser of a) 10% or b) the minimum rate which, in the judgment of the remarketing agent, under prevailing market conditions, taking into account the current rates for debt securities comparable in term, security and creditworthiness to the bonds maturing on such date, would enable the bonds maturing to be sold at a price of par. The bonds mature on December 15, 2026.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 9 - LONG-TERM DEBT (continued)

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 \$1,252,000 and \$1,390,000 at December 31, 2009 and 2008, respectively.

Outstanding long-term debt as of December 31, 2009 and 2008 consists of the following:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2009</u>	<u>Due within one year</u>
Senior Dedicated Tax Revenue Bonds, Series 1996A	\$ 40,202,086	\$ -	\$ 2,979,020	\$ 37,223,066	\$ 3,049,137
Accumulated accretion	42,081,915	4,679,786	3,175,980	43,585,721	3,685,863
	<u>82,284,001</u>	<u>4,679,786</u>	<u>6,155,000</u>	<u>80,808,787</u>	<u>6,735,000</u>
Senior Dedicated Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accumulated accretion	2,758,876	615,765	-	3,374,641	-
	<u>10,563,768</u>	<u>615,765</u>	<u>-</u>	<u>11,179,533</u>	<u>-</u>
Junior Dedicated Tax Revenue Refunding Bonds, Series 1999	125,775,000	-	-	125,775,000	-
Variable Rate Demand Revenue Bonds, Series 2001A	30,000,000	-	-	30,000,000	-
Add (subtract) unamortized amounts for:					
Premiums	3,422,459	-	261,616	3,160,843	-
Discounts	(412,201)	-	(43,181)	(369,020)	-
Loss on refunding	(6,751,605)	-	(547,159)	(6,204,446)	-
Total unamortized amounts	<u>(3,741,347)</u>	<u>-</u>	<u>(328,724)</u>	<u>(3,412,623)</u>	<u>-</u>
Total	<u>\$ 244,881,422</u>	<u>\$ 5,295,551</u>	<u>\$ 5,826,276</u>	<u>\$ 244,350,697</u>	<u>\$ 6,735,000</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 9 - LONG-TERM DEBT (continued)

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2008</u>	<u>Due within one year</u>
Senior Dedicated Tax Revenue					
Bonds, Series 1996A	\$ 43,094,094	\$ -	\$ 2,892,008	\$ 40,202,086	\$ 2,979,020
Accumulated accretion	40,081,279	4,708,628	2,707,992	42,081,915	3,175,980
	<u>83,175,373</u>	<u>4,708,628</u>	<u>5,600,000</u>	<u>82,284,001</u>	<u>6,155,000</u>
Senior Dedicated Tax Revenue					
Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accumulated accretion	2,177,028	581,848	-	2,758,876	-
	<u>9,981,920</u>	<u>581,848</u>	<u>-</u>	<u>10,563,768</u>	<u>-</u>
Junior Dedicated Tax Revenue					
Refunding Bonds, Series 1999	125,775,000	-	-	125,775,000	-
Variable Rate Demand Revenue					
Bonds, Series 2001A	30,000,000	-	-	30,000,000	-
Add (subtract) unamortized amounts for:					
Premiums	3,684,073	-	261,614	3,422,459	-
Discounts	(457,389)	-	(45,188)	(412,201)	-
Loss on refunding	(7,304,309)	-	(552,704)	(6,751,605)	-
Total unamortized amounts	<u>(4,077,625)</u>	<u>-</u>	<u>(336,278)</u>	<u>(3,741,347)</u>	<u>-</u>
Total	<u>\$ 244,854,668</u>	<u>\$ 5,290,476</u>	<u>\$ 5,263,722</u>	<u>\$ 244,881,422</u>	<u>\$ 6,155,000</u>

Aggregate maturities for the years subsequent to December 31, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,735,000	\$ 6,676,003	\$ 13,411,003
2011	7,345,000	6,676,003	14,021,003
2012	8,010,000	6,676,003	14,686,003
2013	9,090,000	6,649,163	15,739,163
2014	9,855,000	6,560,438	16,415,438
2015 - 2019	63,440,000	29,927,288	93,367,288
2020 - 2024	90,810,000	20,018,700	110,828,700
2025 - 2029	107,585,000	4,509,825	112,094,825
2030 - 2032	21,925,000	-	21,925,000
Total	<u>324,795,000</u>	<u>\$ 87,693,423</u>	<u>\$ 412,488,423</u>
Unamortized premium	3,160,843		
Unamortized discount	(369,020)		
Unamortized loss on refunding	(6,204,446)		
Unamortized (future) accretion	<u>(77,031,680)</u>		
Total	<u>\$ 244,350,697</u>		

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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.

Contribution rates are established by the City of Milwaukee Charter. The employees' share of the annual pension contribution is 5.5% of annual salaries, exclusive of overtime. The employee share is paid 100% by the District. 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, 2009 and 2008, was approximately \$3,374,000 and \$3,230,000, respectively; the employer's total payroll was \$4,504,624 and \$4,954,759, respectively. The District's share of the annual contribution including the employees' share paid by the District was approximately \$355,000 and \$105,000 in 2009 and 2008, 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 2009 and 2008 were \$161,200 and \$162,112, respectively.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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 of Milwaukee's plan is a single-employer defined benefit healthcare plan administered by both the City of Milwaukee and Milwaukee's Employee Retirement System (MERS). 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 Basic Plan and a Health Maintenance Organization (HMO) plan are offered to active employees.

The plan provides full health insurance coverage to "general City of Milwaukee employees" 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. 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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

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 Basic Plan, the employer contributes 25% of the base rate and the retiree pays 75% of the base rate and 100% of the major medical rate. Under the HMO Plan, the employer contributes a 25% subsidy of the applicable 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, 2009 and 2008, District and plan members receiving benefits paid approximately \$68,000 and \$60,500, respectively toward medical insurance for retirees.

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 that 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>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	\$ 79,606	\$ 76,778
Interest on Net OPEB Obligation	3,536	-
Adjustment to ARC	<u>(3,031)</u>	<u>-</u>
Annual OPEB Cost	80,111	76,778
Contribution made	<u>(68,000)</u>	<u>(60,500)</u>
Increase in net OPEB Obligation	12,111	16,278
Net OPEB obligation - beginning of year	<u>16,278</u>	<u>-</u>
 Net OPEB obligation - end of year	 <u>\$ 28,389</u>	 <u>\$ 16,278</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2009 and 2008 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 80,111	84.88%	\$ 28,389
12/31/2008	\$ 76,778	78.80%	\$ 16,278

Funded Status and Funding Progress

The most recent actuarial valuation conducted by the City of Milwaukee was as of July 1, 2007.

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 accrual liability for benefits was \$1,054,499 and \$996,124 for December 31, 2009 and 2008, respectively, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,054,499 and \$996,124 for December 31, 2009 and 2008, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$3,374,000 and \$3,230,000 and the ratio of the UAAL to the covered payroll was 26.24 and 30.84 percent, for December 31, 2009 and 2008, respectively.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of 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 10 percent initially, and reduced by decrements to the ultimate rate of 4.5 percent after 10 years.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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 Midwest Airlines 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 \$1,318,657 and \$1,266,757 in 2009 and 2008, respectively, under the advertising and naming rights agreements.

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

	<u>Advertising Rights</u>	<u>Naming Rights</u>	<u>Total</u>
2010	\$ 527,800	\$ 266,667	\$ 794,467
2011	426,917	266,667	693,584
2012	354,167	266,667	620,834
2013	375,000	100,000	475,000
2014	329,167	100,000	429,167
2015	<u>270,833</u>	<u>83,333</u>	<u>354,166</u>
Total	<u>\$ 2,283,884</u>	<u>\$ 1,083,334</u>	<u>\$ 3,367,218</u>

On March 1, 1998, the District entered into a Convention Center (the Center) Naming Rights Agreement (Agreement) with Midwest Airlines, Inc. (Midwest Airlines), Visit Milwaukee, and The Spirit of Milwaukee, Inc. (Spirit). Under the Agreement, Midwest Airlines obtained the right to name the newly constructed convention center and to promote its business through comprehensive signage and pertinent marketing activities in exchange for financial support and joint marketing initiatives through Spirit. Midwest Airlines is to pay a total of \$8.5 million to Spirit, payable in annual installments ranging from \$500,000 to \$750,000 through 2012. These funds are to be used to support those activities of Spirit, Visit Milwaukee, and the District that directly or indirectly promote the Center and enhance the Center facilities. It is understood that the funds are not intended to be used for ongoing or routine operating expenses of Visit Milwaukee or the District. Spirit pays one third of naming rights revenue to the District to be committed to Center facility enhancement and pays one third of naming rights revenue to Visit Milwaukee for marketing and promotional activities.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 12 - ADVERTISING AGREEMENTS (continued)

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.

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.

Grant Program

The District participates in a federally assisted grant program. The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District included herein or on the overall financial position of the District at December 31, 2009.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 15 - SUBSEQUENT EVENTS

Management evaluated subsequent events through April 28, 2010, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009, but prior to April 28, 2010 that provide additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009 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, 2009.

This information is an integral part of the accompanying financial statements.

**WISCONSIN CENTER DISTRICT
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
RETIREE HEALTH INSURANCE
For the Year Ended December 31, 2009**

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
12/31/2008	7/1/2007	\$ -	\$ 1,054,499	\$ 1,054,499	0.00%	\$ 3,374,000	31.25%
12/31/2009	7/1/2007	\$ -	\$ 996,124	\$ 996,124	0.00%	\$ 3,230,000	30.84%