

WISCONSIN CENTER DISTRICT
Milwaukee, Wisconsin

FINANCIAL STATEMENTS
December 31, 2007 and 2006

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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 the Wisconsin Center District (the District), as of December 31, 2007 and 2006, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2007 and 2006, 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 is not a required part of the basic financial statements but is 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
March 24, 2008

WISCONSIN CENTER DISTRICT

Management's Discussion and Analysis

Years ended December 31, 2007 and 2006

(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, 2007 and 2006.

Financial Highlights

Year Ended December 31, 2007

- The liabilities of the District exceeded its assets at December 31, 2007 by \$29,369,925 (net assets-deficit). Of this amount, \$3,042,927 is restricted for debt service and \$7,157,919 is associated with investments in capital assets, net of related debt. This leaves a deficit of \$39,570,771 for unrestricted net assets.
- The District's December 31, 2007 total net asset deficit of \$(29,369,925) reflected a reduction of \$6,405,538 from December 31, 2006 deficit of \$(22,964,387).

Year Ended December 31, 2006

- The liabilities of the District exceeded its assets at December 31, 2006 by \$22,964,387 (net assets-deficit). Of this amount, \$2,737,208 is restricted for debt service and \$8,678,487 is associated with investments in capital assets, net of related debt. This leaves a deficit of \$34,380,082 for unrestricted net assets.
- The District's December 31, 2006 total net asset deficit of \$(22,964,387) reflected a reduction of \$6,351,102 from December 31, 2005 deficit of \$(16,613,285).

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 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 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 to 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 to 30 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 \$29,369,925 at the close of the most recent fiscal year. This compares to \$22,964,387 at the close of the previous year.

A significant portion of the District's net assets, \$7,157,919 (\$8,678,487 at December 31, 2006) 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.

Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 32,905,827	\$ 33,285,957	\$ 31,762,917
Capital assets	187,922,183	194,254,847	200,730,662
Total assets	<u>\$ 220,828,010</u>	<u>\$ 227,540,804</u>	<u>\$ 232,493,579</u>
Current liabilities	9,981,417	10,236,183	9,233,203
Long-term liabilities	240,216,518	240,269,008	239,873,661
Total liabilities	<u>\$ 250,197,935</u>	<u>\$ 250,505,191</u>	<u>\$ 249,106,864</u>
Net Assets			
Invested in capital assets, net of related debt	7,157,919	8,678,487	12,646,445
Restricted	3,042,927	2,737,208	1,244,889
Unrestricted	<u>(39,570,771)</u>	<u>(34,880,082)</u>	<u>(30,504,619)</u>
Total net assets	<u>\$ (29,369,925)</u>	<u>\$ (23,464,387)</u>	<u>\$ (16,613,285)</u>

In addition, \$3,042,927 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 \$39,570,771 (\$34,380,082 at December 31, 2006). 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 \$42,579,000 (\$39,877,000 at December 31, 2006). The second component is the accumulation of surpluses and deficits, excluding interest expense on capital appreciation bonds, since the creation of the District, approximately \$3,042,000 in net surplus (\$5,497,000 at December 31, 2006).

Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues:			
Rental and labor service revenues	\$ 5,302,141	\$ 5,150,662	\$ 5,984,085
Other	6,107,931	6,599,890	6,191,549
Total operating revenues	11,410,072	11,750,552	12,175,634
Operating expenses:			
Allocated expenses:	7,253,719	7,093,205	8,587,709
Unallocated operating expenses	8,640,981	8,327,576	7,970,074
Depreciation and amortization	<u>7,539,612</u>	<u>7,795,159</u>	<u>7,197,657</u>
Total operating expenses	23,434,312	23,215,940	23,755,440
Nonoperating income (expenses):			
Net tax revenue	17,662,460	16,864,549	15,540,187
Bond amortization and interest expense	(13,866,258)	(13,200,319)	(13,402,967)
Other	<u>1,822,500</u>	<u>1,450,056</u>	<u>1,177,280</u>
Net nonoperating income (expense)	5,618,702	5,114,286	3,314,500
Decrease in net assets	(6,405,538)	(6,351,102)	(8,404,306)
Net assets - beginning of year	<u>(22,964,387)</u>	<u>(16,613,285)</u>	<u>(8,208,979)</u>
Net assets - end of year	<u>\$ (29,369,925)</u>	<u>\$ (22,964,387)</u>	<u>\$ (16,613,285)</u>

Year Ended December 31, 2007

The 2007 total operating revenues of \$11,410,072 reflects a decrease of \$340,480 (or 2.9%) when compared to the 2006 total amount of \$11,750,552. This overall decrease is primarily attributable to less revenue generated from national conventions.

The 2007 total operating expenses of \$23,434,312 reflects an increase of \$218,372 (or 0.9%) when compared to the 2006 amount of \$23,215,940. This increase is primarily attributable to the cost of living adjustments in the organization payroll.

The 2007 net non-operating income of \$5,618,702 reflects an increase of \$504,416 (or 9.9%) when compared to the 2006 amount of \$5,114,286. This change is primarily attributable to the 2007 increase in net tax revenue of \$797,911, an increase in interest income of \$372,444, offset by an increase in interest expense of \$665,939.

Year Ended December 31, 2006

The 2006 total operating revenues of \$11,750,552 reflects a decrease of \$425,082 (or 3.5%) when compared to the 2005 total amount of \$12,175,634. This overall decrease is primarily attributable to a smaller volume of events directly contracted by the District, as compared with events contracted by outside promoters.

The 2006 total operating expenses of \$23,215,940 reflects a decrease of \$539,500 (or 2.3%) when compared to the 2005 of \$23,755,440. This increase is primarily attributable to the smaller volume of events directly contracted by the District, as compared with events contracted by outside promoters.

The 2006 net non-operating income of \$5,114,286 reflects an increase of \$1,938,786 (or 61.1%) when compared to the 2005 amount of \$3,175,500. This change is primarily attributable to the 2006 increase in net tax revenue of \$1,463,362, an increase in interest income of \$178,714, and a decrease in interest expense of \$202,648.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of December 31, 2007, amounts to \$187,922,183 (net of accumulated depreciation). At December 31, 2006, the investment was \$194,254,847. Capital assets include land, buildings, improvements, and machinery and equipment. The total decrease in the District's capital assets from 2006 to 2007 was \$6,332,664 (or 3.2%). This decrease was a result of the District recording depreciation on its capital assets.

A summary of capital Assets as of December 31, 2007, 2006, 2005 is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$ 22,958,953	\$ 22,958,953	\$ 22,958,953
Buildings and improvements, net	164,169,746	170,568,364	175,611,573
Machinery and equipment, net	793,484	727,500	2,160,136
Total	<u>\$ 187,922,183</u>	<u>\$ 194,254,817</u>	<u>\$ 200,730,662</u>

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

Long-term debt. At December 31, 2007, the District had total bonded debt outstanding of \$204,235,229 (net of unamortized bond premiums, discounts, and losses on refunding), of which \$2,892,008 is current. At December 31, 2006, the District had \$205,036,048 total debt outstanding of which \$2,782,798 was current. This debt represents bonds secured by specified future tax collections of the District. In addition, the District had \$42,578,891 in accrued interest at December 31, 2007 (\$39,876,708 at December 31, 2006) related to the capital appreciation bonds.

Additional information on the District's long-term debt can be found in note 9 on pages 24 to 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, 2007 and 2006**

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 2,087,145	\$ 2,175,873
Accounts receivable, less allowance for doubtful accounts of \$64,241 in 2007 and \$39,495 in 2006	1,313,958	1,406,553
Tax revenues receivable	2,688,706	2,695,599
Loans receivable, current portion	40,041	37,715
Accrued interest receivable	40,320	39,061
Prepaid expenses and other current assets	208,034	209,919
Total current assets	6,378,204	6,564,720
Noncurrent assets		
Restricted cash and cash equivalents	23,749,703	23,794,446
Loans receivable, less current portion	614,559	654,600
Financing costs, net of accumulated amortization of \$1,208,035 in 2007 and \$1,099,205 in 2006	2,163,361	2,272,191
Capital assets		
Non-depreciable	22,958,953	22,958,953
Depreciable, net	164,963,230	171,295,894
Total noncurrent assets	214,449,806	220,976,084
Total assets	220,828,010	227,540,804
Liabilities		
Current liabilities		
Current installments of bonds payable	5,600,000	5,060,000
Accounts payable	687,422	981,377
Accrued expenses	372,716	483,974
Accrued interest expense	320,584	596,248
Concession improvement deposits	825,000	975,000
Deferred revenue	2,052,053	2,049,584
Obligation under capital lease, current portion	123,642	90,000
Total current liabilities	9,981,417	10,236,183
Long-term liabilities		
Obligation under capital lease, less current portion	961,850	1,012,500
Bonds payable, net, less current portion	239,254,668	239,256,508
Total long-term liabilities	240,216,518	240,269,008
Total liabilities	250,197,935	250,505,191
Net Assets		
Invested in capital assets, net of related debt	7,157,919	8,678,487
Restricted for debt service	3,042,927	2,737,208
Unrestricted (deficit)	(39,570,771)	(34,380,082)
Total net assets (deficit)	\$ (29,369,925)	\$ (22,964,387)

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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Operating revenue		
Space rentals	\$ 3,151,015	\$ 3,166,142
Equipment rentals	1,006,797	974,534
Commission on concession sales	2,586,395	2,999,355
Labor service revenue	1,144,329	1,009,986
Advertising revenue	1,328,228	1,522,219
Information technology revenue	536,655	462,934
Box office revenue	701,089	884,761
Parking revenue	587,974	498,368
Other	<u>367,590</u>	<u>232,253</u>
Total operating revenue	<u>11,410,072</u>	<u>11,750,552</u>
Operating expenses		
Allocated expenses		
Wages	3,426,375	3,244,814
Utilities	1,666,254	1,647,610
Building maintenance and repairs	970,587	949,292
Ticket expenses	51,921	45,963
Other	<u>1,138,582</u>	<u>1,205,526</u>
Total allocated operating expenses	<u>7,253,719</u>	<u>7,093,205</u>
Unallocated expenses		
Administrative salaries and wages	1,727,756	1,610,915
Employee benefits	1,279,314	1,471,534
Advertising and promotion	4,678,818	4,258,685
Legal services	52,366	32,826
Insurance	515,359	567,929
Professional services	27,977	37,026
Depreciation and amortization	7,539,612	7,795,159
Other	<u>359,391</u>	<u>348,661</u>
Total unallocated operating expenses	<u>16,180,593</u>	<u>16,122,735</u>
Total operating expenses	<u>23,434,312</u>	<u>23,215,940</u>
Operating loss	<u>(12,024,240)</u>	<u>(11,465,388)</u>

(continued)

**WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006**

	2007	2006
Nonoperating income (expense)		
Tax revenue		
Additional room tax revenue	\$ 8,769,839	8,411,492
Basic room tax revenue	3,324,320	3,175,093
Food and beverage tax revenue	3,974,303	3,625,404
Rental car tax revenue	<u>2,056,518</u>	<u>2,093,953</u>
	18,124,980	17,305,942
State of Wisconsin administrative fee	<u>(462,520)</u>	<u>(441,393)</u>
Net tax revenue	17,662,460	16,864,549
Interest income	1,822,500	1,450,056
Bond amortization and interest expense	(13,866,258)	(13,200,319)
Donation revenue - transit study	14,403	-
Federal grant revenue - transit study	308,031	1,562,439
Expenditures - transit study	<u>(322,434)</u>	<u>(1,562,439)</u>
Total nonoperating income (expense)	<u>5,618,702</u>	<u>5,114,286</u>
Change in net assets	(6,405,538)	(6,351,102)
Net assets (deficit), beginning of year	<u>(22,964,387)</u>	<u>(16,613,285)</u>
Net assets (deficit), end of year	<u>\$ (29,369,925)</u>	<u>\$ (22,964,387)</u>

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

**WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006**

	2007	2006
Cash flows from operating activities		
Receipts from customers	\$ 11,505,136	\$ 11,661,014
Payments to suppliers	(9,607,229)	(8,746,282)
Payments to employees	(6,544,703)	(6,402,251)
Net cash used in operating activities	(4,646,796)	(3,487,519)
Cash flows from noncapital financing activities		
Additional room tax revenue	8,776,732	8,155,183
Basic room tax revenue	3,324,320	3,175,093
Food & beverage tax revenue	3,974,303	3,625,404
Rental car tax revenue	2,056,518	2,093,953
Federal grant and other donations for transit study	322,434	1,562,439
Transit study expenditures	(322,434)	(1,562,439)
Tax collection administrative fee	(462,520)	(441,393)
Net cash provided by noncapital financing activities	17,669,353	16,608,240
Cash flows from capital and related financing activities		
Proceeds from capital lease agreement	101,729	-
Principal payment on bonds payable	(2,782,798)	(2,659,658)
Interest paid on bonds payable	(11,164,073)	(9,622,376)
Payment on capital lease agreement	(118,737)	(90,000)
Capital assets purchased	(1,051,105)	(867,548)
Net cash used in capital and related financing activities	(15,014,984)	(13,239,582)
Cash flows from investing activities		
Interest income	1,821,241	1,450,560
Payments received on loans receivable	37,715	35,524
Net cash provided by investing activities	1,858,956	1,486,084
Increase (decrease) in cash and cash equivalents	(133,471)	1,367,223
Cash and cash equivalents, beginning of year	25,970,319	24,603,096
Cash and cash equivalents, end of year	\$ 25,836,848	\$ 25,970,319

(continued)

**WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006**

	2007	2006
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating loss	\$ (12,024,240)	\$ (11,465,388)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	7,835,708	7,795,159
Change in operating assets and liabilities:		
Accounts receivable	92,595	(146,273)
Prepaid expenses and other assets	1,885	101,907
Accounts payable and other liabilities	(402,744)	377,076
Concession improvement deposits	<u>(150,000)</u>	<u>(150,000)</u>
Net cash used in operating activities	<u>\$ (4,646,796)</u>	<u>\$ (3,487,519)</u>
Reconciliation of cash and cash equivalents to the statement of net assets:		
Unrestricted cash and cash equivalents		
Box office cash and cash equivalents	\$ 489,655	\$ 781,712
Other operating cash and cash equivalents	<u>1,597,490</u>	<u>1,394,161</u>
Total unrestricted cash and cash equivalents	2,087,145	2,175,873
Restricted cash and cash equivalents	<u>23,749,703</u>	<u>23,794,446</u>
Cash and cash equivalents, end of year	<u>\$ 25,836,848</u>	<u>\$ 25,970,319</u>

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

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wisconsin Center District (the District) is a special purpose district created in 1994 as a body corporate and politic by the City of Milwaukee, Wisconsin pursuant to the provisions of Sections 229.42, Wisconsin Statutes. 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, 2007 and 2006**

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, 2007 and 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 2007 and 2006.

Net Assets

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

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.

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 bonds outstanding method over the lives of the various bond issues.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 \$4,116,000 and \$4,000,000 to Visit Milwaukee related to this agreement in 2007 and 2006, 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.

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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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 0.25% 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.

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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 3 - TAX REVENUE (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 meet the current year debt obligations.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Cash	\$ 94,897	\$ 94,763
Demand Deposits	1,992,248	2,081,110
Money Market Funds	6,032,961	6,146,959
Guaranteed Investment Contract	<u>17,716,742</u>	<u>17,647,487</u>
Totals	<u>\$ 25,836,848</u>	<u>\$ 25,970,319</u>
Unrestricted	\$ 2,087,145	\$ 2,175,873
Restricted	<u>23,749,703</u>	<u>23,794,446</u>
Totals	<u>\$ 25,836,848</u>	<u>\$ 25,970,319</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, 2007 and 2006, the District's carrying value of the deposits was \$1,992,248 and \$2,081,110, as compared to bank balances of \$2,346,810 and \$2,162,990, respectively. Of the bank balances at December 31, 2007 and 2006, \$200,000 was covered by federal depository insurance. The remaining balances at December 31, 2007 and 2006 were uninsured and uncollateralized.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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 Statutes. Under state statute, investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association;
- Bonds or securities of any county, city, drainage district, vocational, technical, and adult education (VTAE) district, village, town or school district of the state;
- Bonds or securities issued or guaranteed by the Federal government; and
- The state local government investment pool.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal policy addressing this type of investment risk.

As of December 31, 2007 and 2006, the District's carrying value and bank balance of the investments was \$23,749,703 and \$23,794,446 for 2007 and 2006, respectively. Of the bank balances at December 31, 2007 and 2006, all amounts were covered by federal depository insurance or collateralized with securities are held by an agent in the District's name.

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, 2007 and 2006, the District had \$17,716,742 and \$17,647,487, respectively, in these types of investments.

The District invests in mutual 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, 2007 and 2006, the District had \$6,032,961 and \$6,146,959, 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, 2007 and 2006, the issuers with significant concentrations were:

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Issuer	Percent of Total Investments	
	2007	2006
First American	26%	26%
MBIA	63%	63%
J.P. Morgan Chase	11%	11%

Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy addressing this type of investment risk. As of December 31, 2007 and 2006, the District had the following investments and maturities.

2007		
Type of Investment	Fair Value	Average Maturities
Guaranteed Investment Contracts	\$ 17,716,742	Unavailable
2006		
Type of Investment	Fair Value	Average Maturities
Guaranteed Investment Contracts	\$ 17,647,487	Unavailable

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 5 - RESTRICTED ASSETS

Restricted assets are cash balances held by a bond trustee consisting of money market investment funds and guaranteed investment contracts and are summarized as follows:

	2007	2006
Project Fund Construction Account	\$ 695	\$ 666
Junior Debt Service Reserve Fund	15,047,488	15,047,488
Revenue Fund Restricted Tax Revenues Account	2,216,407	2,087,136
Senior Principal Account	826,520	650,072
Junior Interest Account	476,255	478,745
Milwaukee Theatre Renovation Project Fund	87	83
Milwaukee Theatre Renovation Debt Service Reserve Fund	2,662,109	3,014,700
Surplus Accounting Bonds	7,145	-
Principal Account	12,997	15,556
Operating Reserve	2,500,000	2,500,000
	\$ 23,749,703	\$ 23,794,446

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 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 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.

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.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 5 - RESTRICTED ASSETS (continued)

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 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, 2007 and 2006**

NOTE 6 - CAPITAL ASSETS

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

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 22,958,953	\$ -	\$ -	\$ 22,958,953
Capital assets being depreciated:				
Buildings and improvements	216,395,659	521,538	-	216,917,197
Furniture, machinery, and equipment	<u>14,733,677</u>	<u>529,567</u>	<u>-</u>	<u>15,263,244</u>
Total capital assets being depreciated	<u>231,129,336</u>	<u>1,051,105</u>	<u>-</u>	<u>232,180,441</u>
Less accumulated depreciation for:				
Buildings and improvements	45,827,265	6,920,186	-	52,747,451
Furniture, machinery, and equipment	<u>14,006,177</u>	<u>463,583</u>	<u>-</u>	<u>14,469,760</u>
Total accumulated depreciation	<u>59,833,442</u>	<u>7,383,769</u>	<u>-</u>	<u>67,217,211</u>
Total capital assets being depreciated, net	<u>171,295,894</u>	<u>(6,332,664)</u>	<u>-</u>	<u>164,963,230</u>
Total capital assets, net	<u>\$ 194,254,847</u>	<u>\$ (6,332,664)</u>	<u>\$ -</u>	<u>\$ 187,922,183</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 6 - CAPITAL ASSETS (continued)

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2006</u>
Capital assets not being depreciated:				
Land	\$ 22,958,953	\$ -	\$ -	\$ 22,958,953
Capital assets being depreciated:				
Buildings and improvements	215,656,909	738,750	-	216,395,659
Furniture, machinery, and equipment	<u>14,604,880</u>	<u>128,797</u>	<u>-</u>	<u>14,733,677</u>
Total capital assets being depreciated	<u>230,261,789</u>	<u>867,547</u>	<u>-</u>	<u>231,129,336</u>
Less accumulated depreciation for:				
Buildings and improvements	40,045,336	5,781,929	-	45,827,265
Furniture, machinery, and equipment	<u>12,444,744</u>	<u>1,561,433</u>	<u>-</u>	<u>14,006,177</u>
Total accumulated depreciation	<u>52,490,080</u>	<u>7,343,362</u>	<u>-</u>	<u>59,833,442</u>
Total capital assets being depreciated, net	<u>177,771,709</u>	<u>(6,475,815)</u>	<u>-</u>	<u>171,295,894</u>
Total capital assets, net	<u>\$ 200,730,662</u>	<u>\$ (6,475,815)</u>	<u>\$ -</u>	<u>\$ 194,254,847</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 pays Levy 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 is to pay the District a variable annual incentive fee equal to 2% of gross sales from concession and catering revenue collected by Levy.

The contract also required Levy to deposit \$1,500,000 with the District for capital improvements, which has been reported as concession improvement deposits. As of December 31, 2007 and 2006, the District has \$825,000 and \$975,000 remaining on deposit, respectively.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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 (6.97% and 7.08% effective rate in 2007 and 2006, respectively) with monthly principal payments of \$7,500 and a final payment of \$922,500 on February 1, 2009.

In 2007, the District entered into a lease option for a Genie S-65 (forklift) for a price of \$101,902. This lease option includes 36 monthly payments of \$3,158.89 at an interest rate of 7.38191%. Lease agreement expires January 1, 2010.

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 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 on 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, 2007 and 2006 was approximately \$5,772,000 and \$6,182,000, respectively.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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. 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 4.1% and 3.90% at December 31, 2007 and 2006, respectively.

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 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 \$1,520,000 and \$1,671,000 at December 31, 2007 and 2006, respectively.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 9 - LONG-TERM DEBT (continued)

Outstanding long-term debt as of December 31, 2007 and 2006 consists of the following:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2007</u>	<u>Due within one year</u>
Senior Dedicated Tax Revenue					
Bonds, Series 1996A	\$ 45,876,892	\$ -	\$ 2,782,798	\$ 43,094,094	\$ 2,892,008
Accumulated accretion	37,653,232	4,705,249	2,277,202	40,081,279	2,707,992
	<u>83,530,124</u>	<u>4,705,249</u>	<u>5,060,000</u>	<u>83,175,373</u>	<u>5,600,000</u>
Senior Dedicated Tax Revenue					
Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accumulated accretion	1,627,228	549,800	-	2,177,028	-
	<u>9,432,120</u>	<u>549,800</u>	<u>-</u>	<u>9,981,920</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	3,945,689	-	261,616	3,684,073	-
Discounts	(504,402)	-	(47,013)	(457,389)	-
Loss on refunding	(7,862,023)	-	(557,714)	(7,304,309)	-
Total unamortized amounts	<u>(4,420,736)</u>	<u>-</u>	<u>(343,111)</u>	<u>(4,077,625)</u>	<u>-</u>
Total	<u>\$ 244,316,508</u>	<u>\$ 5,255,049</u>	<u>\$ 4,716,889</u>	<u>\$ 244,854,668</u>	<u>\$ 5,600,000</u>

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2006</u>	<u>Due within one year</u>
Senior Dedicated Tax Revenue					
Bonds, Series 1996A	\$ 48,536,549	\$ -	\$ 2,659,657	\$ 45,876,892	\$ 2,782,798
Accumulated accretion	34,875,639	4,667,936	1,890,343	37,653,232	2,277,202
	<u>83,412,188</u>	<u>4,667,936</u>	<u>4,550,000</u>	<u>83,530,124</u>	<u>5,060,000</u>
Senior Dedicated Tax Revenue					
Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accumulated accretion	1,092,784	534,444	-	1,627,228	-
	<u>8,897,676</u>	<u>534,444</u>	<u>-</u>	<u>9,432,120</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	4,207,305	-	261,616	3,945,689	-
Discounts	(553,064)	-	(48,662)	(504,402)	-
Loss on refunding	(8,417,944)	-	(555,921)	(7,862,023)	-
Total unamortized amounts	<u>(4,763,703)</u>	<u>-</u>	<u>(342,967)</u>	<u>(4,420,736)</u>	<u>-</u>
Total	<u>\$ 243,321,161</u>	<u>\$ 5,202,380</u>	<u>\$ 4,207,033</u>	<u>\$ 244,316,508</u>	<u>\$ 5,060,000</u>

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 9 - LONG-TERM DEBT (continued)

Aggregate maturities for the years subsequent to December 31, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,600,000	\$ 8,065,003	\$ 13,665,003
2009	6,155,000	8,065,003	14,220,003
2010	6,735,000	8,065,003	14,800,003
2011	7,345,000	8,065,003	15,410,003
2012	8,010,000	8,065,003	16,075,003
2013-2017	53,850,000	38,882,513	92,732,513
2018-2022	80,640,000	31,827,563	112,467,563
2023-2027	131,675,000	16,401,334	148,076,334
2028-2032	<u>36,540,000</u>	<u>-</u>	<u>36,540,000</u>
Total	<u>\$ 336,550,000</u>	<u>\$ 127,436,425</u>	<u>\$ 463,986,425</u>
Unamortized premium	3,684,073		
Unamortized discount	(457,389)		
Unamortized loss on refunding	(7,304,309)		
Unamortized accretion	<u>(87,617,707)</u>		
	<u>\$ 244,854,668</u>		

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 10 - RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

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.

The employees' share of the annual pension contribution, 5.5% of their annual salary, exclusive of overtime, is paid 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, 2007 and 2006, was approximately \$3,200,000 and \$3,020,000, respectively. The District's share of the annual contribution including the employees' share paid by the District was approximately \$93,000 and \$92,000 in 2007 and 2006, 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 2007 and 2006 were \$167,219 and \$163,263, respectively.

The District provides post-employment medical insurance coverage for substantially all retirees. The benefits vary depending upon the level of health care coverage selected by the retiree. There were 9 and 11 employees who had retired with 15 years of full time service that were receiving benefits as of December 31, 2007 and 2006, respectively. Such benefits are recorded when paid. The total amounts paid for these benefits were approximately \$57,000 and \$93,000 in 2007 and 2006, respectively.

NOTE 11 - 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 2010. 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 \$1,328,228 and \$1,552,219 in 2007 and 2006, respectively, under the advertising and naming rights agreements.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 11 - ADVERTISING AGREEMENTS (continued)

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

	<u>Advertising Rights</u>	<u>Naming Rights</u>	<u>Total</u>
2008	\$ 794,790	\$ 266,667	\$ 1,061,457
2009	611,623	266,667	878,290
2010	421,800	266,667	688,467
2011	342,167	266,667	608,834
2012	279,167	266,667	545,834
2013-2015	<u>875,000</u>	<u>283,333</u>	<u>1,158,333</u>
Total	<u>\$ 3,324,547</u>	<u>\$ 1,616,668</u>	<u>\$ 4,941,215</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.

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 six-year term of the agreement payable in annual installments ranging from \$310,000 to \$340,000.

**WISCONSIN CENTER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 12 - 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 13 - 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, 2007.

NOTE 14 - SUBSEQUENT EVENTS

In February 2008, the District extended a caterer contract with Levy Premium Foodservice Limited Partnership (Levy) for 2008 through 2015. Under this contract, Levy receives a flat annual fee of \$165,000 from the District. Levy is to pay the District a variable annual incentive fee equal to 2% of gross sales from concession and catering revenue collected by Levy in the first three years, and 3% in the last four years.

In addition, the contract requires Levy to deposit \$550,000 with the District, with \$100,000 used to upgrade concession stands.

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