WISCONSIN CENTER DISTRICT

Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

WISCONSIN CENTER DISTRICT

TABLE OF CONTENTS

As of and for the years ended December 31, 2018 and 2017

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplementary information)	3 - 9
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11 - 12
Statements of Cash Flows	13 - 14
Notes to Financial Statements	15 – 52
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Total OPEB Liability and Related Rations – Other Postemployment Benefit Obligations	53
Schedule of the Employer Contributions – Other Postemployment Benefits Obligations	54
Schedules of District's Proportionate Share of Net Pension Liability and Employer Contributions – City of Milwaukee Employees' Retirement System	55
Notes to Required Supplementary Information	56
OTHER AUDITORS' REPORT	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*	57 - 58
Schedule of Findings and Responses	59 - 61

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wisconsin Center District
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the Wisconsin Center District,Wisconsin, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Wisconsin Center District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Wisconsin Center District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wisconsin Center District as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Wisconsin Center District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective January 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2019 on our consideration of the Wisconsin Center District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wisconsin Center District's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

WISCONSIN CENTER DISTRICT

Management's Discussion and Analysis

Years ended December 31, 2018, 2017 and 2016

(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, 2018, along with comparative information for 2017 and 2016.

Financial Highlights

Year Ended December 31, 2018

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at December 31, 2018 by $191,376,801 (net position). Of this amount, $19,235,422 is restricted for debt service and $254,585,241 is associated with net investment in capital assets. This leaves a deficit of $82,443,862 for unrestricted net position.

- The District's December 31, 2018 total net position of $191,376,801 reflected an increase of $225,276,169 from December 31, 2017 balance of $(30,716,092).

- Effective January 1, 2018, the District implemented GASB statement no. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.* The District implemented this standard effective January 1, 2018. This implementation resulted in a cumulative effect of a change in accounting principles of $3,183,276.

- On August 1, 2018 the Arena, as defined in Footnote 1 and currently known as the Fiserv Forum, was deemed substantially complete and was recognized as a depreciable asset on the District's books at its full value, inclusive of $221,128,282 in Capital Contributions from Deer District LLC and the Greater Milwaukee Foundation, pursuant to the Arena Finance, Funding, and Construction Funds Escrow Agreement. In 2018, the District recognized depreciation expense pertaining to the FiServ Forum of $4,397,088.

Year Ended December 31, 2017

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at December 31, 2017 by $30,716,092 (net position-deficit). Of this amount, $19,985,716 is restricted for debt service and $22,206,122 is associated with net investment in capital assets. This leaves a deficit of $72,907,930 for unrestricted net position.

Year Ended December 31, 2017 (continued)

- The District's December 31, 2017 total net position of $(30,716,092) reflected an increase of $3,988,679 from December 31, 2016 balance of $(34,704,771).

Year Ended December 31, 2016

- In February 2015, the GASB issued statement No. 72 - Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at December 31, 2016 by $34,704,771 (net position-deficit). Of this amount, $20,255,685 is restricted for debt service and $13,526,387 is associated with net investment in capital assets. This leaves a deficit of $68,486,843 for unrestricted net position.

- The District's December 31, 2016 total net position of $(34,704,771) reflected an increase of $7,158,254 from December 31, 2015 balance of $(41,863,025).

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 full accrual basis of accounting. Financial statements offer short and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to a private business.

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

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

The statements of revenues, expenses, and changes in net position present information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected space and equipment rental revenues, labor service revenues).

Overview of the Financial Statements (continued)

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

The statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows can be found on pages 10 – 14 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 15 – 52 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the District, assets and deferred outflows of resources were greater than liabilities and deferred inflows of resources by $191,376,801 at the close of the most recent fiscal year. This compares to $(30,716,092) at the close of the previous year.

The table below presents a comparison of net position fiscal year ended December 31, 2018, along with comparative information for 2017 and 2016.

Condensed Statement of Net Position

	2018	2017	2016
Assets			
Current and other assets	$ 64,599,517	$ 139,311,446	$ 233,575,655
Capital assets and deferred outflows	552,207,347	287,224,503	181,151,994
Total Assets and deferred outflows	616,806,864	426,535,949	414,727,649
Liabilities			
Current liabilities	32,948,549	52,423,289	31,583,396
Long-term liabilities and deferred inflows	392,481,514	404,828,752	417,849,024
Total Liabilities and deferred inflows	425,430,063	457,252,041	449,432,420
Net Position			
Net investment in capital assets	254,585,241	22,206,122	13,526,387
Restricted	19,235,422	19,985,716	20,255,685
Unrestricted	(82,443,862)	(72,907,930)	(68,486,843)
Total Net Position (Deficiency)	$ 191,376,801	$ (30,716,092)	$ (34,704,771)

Changes in Net Position

A significant portion of the District's net position is the net investment in capital assets, which as of year ended was $254,585,241 ($22,206,122 and $13,526,387 at December 31, 2017 and 2016 respectively) 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, $19,235,422 of the District's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position (deficit). This unrestricted net position balance is a deficit of $82,443,862 ($72,907,930 and $68,486,843 at December 31, 2017 and 2016 respectively). The deficit in unrestricted net position can be broken down into two components. The first component is an accumulation of interest costs on capital appreciation bonds, approximately $54,883,406 ($53,999,630 and $51,899,000 at December 31, 2017 and 2016 respectively). The second component is the accumulation of surpluses and deficits, excluding interest expense on capital appreciation bonds, since the creation of the District, approximately ($27,560,456) in net deficit ($18,908,300 and $16,587,843 at December 31, 2016 and 2015 respectively).

Changes in Net Position (continued)

	2018	2017	2016
Operating Revenues			
Rental and labor service revenues	$ 6,221,220	$ 4,518,642	$ 5,843,902
Other	8,758,387	6,507,672	8,337,253
Total Operating Revenues	14,979,607	11,026,314	14,181,155
Operating Expenses			
Allocated operating expenses	9,353,727	7,613,414	7,499,089
Unallocated operating expenses	16,018,951	14,781,880	13,146,805
Depreciation and amortization	13,661,708	9,119,071	8,633,875
Total Operating Expenses	39,034,386	31,514,365	29,279,769
Nonoperating Income (Expenses)			
Net tax revenue	36,024,426	34,193,073	32,862,410
Bond amortization and interest expense	(17,978,106)	(19,745,068)	(19,727,303)
State of Wisconsin contribution	8,000,000	8,000,000	8,000,000
Other	2,156,346	2,028,725	1,121,761
Net Nonoperating Income (Expense)	28,202,666	24,476,730	22,256,868
Capital Contribution	221,128,282	-	-
Increase in net position	4,147,887	3,988,679	7,158,254
Cumulative effect of a change in accounting principle	(3,183,276)	-	-
Net Position - Beginning of Year	(30,716,092)	(34,704,771)	(41,863,025)
Net Position - End of Year	$ 191,376,801	$(30,716,092)	$(34,704,771)

Year Ended December 31, 2018

The 2018 total operating revenues of $14,979,607 reflects an increase of $3,953,293 (or 35.9%) when compared to the prior year total amount of $11,026,314. This increase in revenue is primarily attributable to above average year of convention business as well as revenues earned from the FiServ Forum [District Ticket Surcharge and Rent].

The 2018 total operating expenses of $39,034,386 reflects an increase of $7,520,021 (or 23.9%) when compared to the prior year amount of $31,514,365. This increase is primarily attributable to higher depreciation driven by the FiServ Forum.

The 2018 net non-operating income of $28,202,666 reflects an increase of $3,725,936 (or 15.2%) when compared to the prior year amount of $24,476,730. This change is primarily attributable to increased net tax revenues and an accounting adjustment to bond interest expense.

Changes in Net Position (continued)

Year Ended December 31, 2017

The 2017 total operating revenues of $11,026,314 reflects a decrease of $3,154,841 (or 22.2%) when compared to the prior year total amount of $14,181,155. This decrease in revenue is primarily attributable to below average year in the Wisconsin Center as well as 2016 reflecting a one-time contribution from the Milwaukee Admirals.

The 2017 total operating expenses of $31,514,365 reflects an increase of $2,234,596 (or 7.6%) when compared to the prior year amount of $29,279,769. This increase is primarily attributable to an updated calculation of pension benefit expense and higher depreciation.

The 2017 net non-operating income of $24,476,730 reflects an increase of $2,219,862 (or 10.0%) when compared to the prior year amount of $22,256,868. This change is primarily attributable to increased net tax revenues.

Year Ended December 31, 2016

The 2016 total operating revenues of $14,181,155 reflects an increase of $4,197,174 (or 42.0%) when compared to the prior year total amount of $9,983,981. This increase in revenue is primarily attributable to more activity in the UWM Panther Arena (including a one-time contribution from the Milwaukee Admirals) and Milwaukee Theatre, and some national conventions and food functions.

The 2016 total operating expenses of $29,279,769 reflects an increase of $1,391,144 (or 5.0%) when compared to the prior year amount of $27,888,625. This increase is primarily attributable to increased business activity.

The 2016 net non-operating income of $22,256,868 reflects an increase of $2,830,494 (or 14.6%) when compared to the prior year amount of $19,426,374. This change is primarily attributable to increased net tax revenues plus an appropriation amount received from the State of Wisconsin as part of the bonding for the new downtown arena (partially offset by interest on new debt).

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of December 31, 2018, amounts to $549,008,188 (net of accumulated depreciation). At the end of the prior year, the investment was $283,309,103. Capital assets include land, buildings, improvements, and machinery and equipment. The total increase in the District's capital assets from 2017 to 2018 was $265,699,085 (or 94.0%). This increase was attributable to recognition of the full asset value of the Fiserv Forum.

A summary of capital Assets as of December 31, 2018 and the two prior years is as follows:

	2018	2017	2016
Land	$ 25,458,953	$ 169,643,080	$ 57,681,509
Buildings and improvements, net	518,028,412	108,993,491	113,244,774
Machinery and equipment, net	5,520,823	4,672,532	4,998,390
Total	$ 549,008,188	$ 283,309,103	$ 175,924,673

Additional information on the District's capital assets can be found in note 6 on pages 30 - 31 of this report.

Long-term debt.

At December 31, 2018, the District had total bonded debt outstanding of $349,489,317 (net of unamortized bond premiums, discounts, and losses on refunding), of which $14,452,012 is current. At the end of the prior year, the District had total bonded debt outstanding of $364,411,216, of which $13,246,174 was current. This debt represents bonds secured by specified future tax collections of the District. In addition, the District had $54,883,406 in accrued interest at December 31, 2018 ($53,999,630 at prior year end) related to the capital appreciation bonds.

	2018	2017	2016
Long-Term Debt			
Bonded debt outstanding	$ 349,489,317	$ 364,411,216	$ 378,307,333
Accrued interest	54,883,406	53,999,630	51,898,880
Total	404,372,723	418,410,846	430,206,213
Current Portion of Long-Term Debt			
Bonded debt	(14,452,012)	(13,246,174)	(12,152,588)
Accrued interest	(6,003,652)	(5,889,169)	(5,212,412)
Total	(20,455,664)	(19,135,343)	(17,365,000)
Long-Term Portion	$ 383,917,059	$ 399,275,503	$ 412,841,213

Additional information on the District's long-term debt can be found in note 9 on pages 32 - 37 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 Vice President of Finance, Wisconsin Center District, 400 West Wisconsin Avenue, Milwaukee, WI 53203.

BASIC FINANCIAL STATEMENTS

WISCONSIN CENTER DISTRICT
STATEMENTS OF NET POSITION
As of December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 6,300,049	$ 5,498,909
Accounts receivable, less allowance for doubtful accounts of $17,025 in 2018 and $22,763 in 2017	3,088,809	2,844,706
Grant receivable	1,000,000	-
Tax revenues receivable	6,150,051	5,445,194
Prepaid expenses and other current assets	378,589	247,106
Total current assets	16,917,498	14,035,915
Noncurrent assets		
Restricted cash and cash equivalents	45,386,819	122,851,369
Restricted interest receivable	380,172	380,172
Prepaid insurance	1,915,028	2,043,990
Capital assets		
Non-depreciable	25,458,953	169,643,080
Depreciable	523,549,235	113,666,023
Total noncurrent assets	596,690,207	408,584,634
Total assets	613,607,705	422,620,549
Deferred outflows of resources		
Deferred charges on refunding	1,818,420	2,224,212
Deferred outflows of resources related to pensions	1,380,739	1,691,188
Total deferred outflows of resources	3,199,159	3,915,400
Liabilities		
Current liabilities		
Accounts payable	8,791,756	29,713,251
Accrued expenses	2,495,178	3,099,975
Concession improvement deposits	899,998	65,000
Obligation under capital lease, current portion	305,953	409,720
Current installments of accrued interest	6,003,652	5,889,169
Current installments of bonds payable	14,452,012	13,246,174
Total current liabilities	32,948,549	52,423,289
Long-term liabilities		
Net pension liability	1,606,000	1,953,000
Other postemployment benefits	3,301,976	160,841
Obligation under capital lease, less current portion	-	297,443
Accrued interest expense, less current portion	48,879,754	48,110,462
Bonds payable, net, less current portion	335,037,305	351,165,041
Total long-term liabilities	388,825,035	401,686,787
Total liabilities	421,773,584	454,110,076
Deferred inflows of resources		
Unearned revenue	2,781,312	3,022,965
Deferred inflows of resources related to OPEB	164,167	-
Deferred inflows of resources related to pensions	711,000	119,000
Total deferred inflows of resources	3,656,479	3,141,965
Net Position (Deficiency)		
Net investment in capital assets	254,585,241	22,206,122
Restricted for debt service	19,235,422	19,985,716
Unrestricted (deficit)	(82,443,862)	(72,907,930)
Total net position (deficiency)	$ 191,376,801	$ (30,716,092)

See accompanying notes to the financial statements.

WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenue		
Space rentals	$ 4,013,285	$ 2,971,653
Equipment rentals	1,305,755	950,171
Commission on concession sales	3,437,857	2,331,512
Labor service revenue	902,180	596,818
Advertising revenue	941,822	677,431
Information technology revenue	606,890	943,097
Box office revenue	1,891,732	850,635
Parking revenue	779,144	689,588
Other	1,100,942	1,015,409
Total operating revenue	14,979,607	11,026,314
Operating expenses		
Allocated expenses		
Wages	3,866,399	3,702,164
Utilities	2,254,851	2,018,432
Building maintenance and repairs	1,183,189	1,262,232
Ticket expenses	30,761	140,114
Other	2,018,527	490,472
Total allocated operating expenses	9,353,727	7,613,414
Unallocated expenses		
Administrative salaries and wages	2,940,034	2,411,189
Employee benefits	2,979,819	3,056,238
Advertising and promotion	8,219,652	7,895,664
Legal services	272,179	146,503
Insurance	650,060	614,415
Professional services	243,152	158,751
Depreciation	13,661,708	9,119,071
Other	714,055	499,120
Total unallocated operating expenses	29,680,659	23,900,951
Total operating expenses	39,034,386	31,514,365
Operating loss	$ (24,054,779)	$ (20,488,051)

See accompanying notes to the financial statements.

WISCONSIN CENTER DISTRICT
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017

	2018	2017
Nonoperating income (expense)		
Tax revenue		
Additional room tax revenue	$ 15,095,799	$ 14,311,459
Basic room tax revenue	7,181,744	6,714,419
Food and beverage tax revenue	11,757,558	11,327,559
Rental car tax revenue	2,931,986	2,734,375
	36,967,087	35,087,812
State of Wisconsin administrative fee	(942,661)	(894,739)
Net tax revenue	36,024,426	34,193,073
State of Wisconsin and Milwaukee County contributions	8,000,000	8,000,000
Interest income	2,156,346	2,028,725
Bond amortization and interest expense	(17,978,106)	(19,745,068)
Total nonoperating income	28,202,666	24,476,730
Capital contribution	221,128,282	-
Change in net position	225,276,169	3,988,679
Net position (deficiency), beginning of year	(30,716,092)	(34,704,771)
Cumulative effect of change in accounting principles	(3,183,276)	-
Net position (deficiency), end of year	$ 191,376,801	$ (30,716,092)

See accompanying notes to the financial statements.

WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Receipts from customers	$ 11,162,639	$ 10,732,834
Payments to suppliers	(13,834,332)	(12,201,116)
Payments to employees	(9,664,225)	(9,169,591)
Net cash flows from operating activities	(12,335,918)	(10,637,873)
Cash flows from noncapital financing activities		
Receipts from additional room tax	15,095,799	14,311,459
Payment of tax collection administrative fee	(942,661)	(894,739)
Net cash flows from noncapital financing activities	14,153,138	13,416,720
Cash flows from capital and related financing activities		
Receipts from basic room tax	7,181,744	6,714,419
Receipts from food and beverage tax	11,757,558	11,327,559
Receipts from rental car tax	2,931,986	2,734,375
Contribution from State of Wisconsin and Milwaukee County	8,000,000	8,000,000
Principal payment on bonds payable	(13,288,936)	(12,023,628)
Interest paid on bonds payable	(18,302,447)	(18,973,309)
Payment on capital lease agreement	(272,247)	(399,895)
Capital assets purchased	(78,644,634)	(97,517,236)
Net cash flows from capital and related financing activities	(80,636,976)	(100,137,715)
Cash flows from investing activities		
Interest income	2,156,346	2,028,725
Net change in cash and cash equivalents	(76,663,410)	(95,330,143)
Cash and cash equivalents, beginning of year	128,350,278	223,680,421
Cash and cash equivalents, end of year	$ 51,686,868	$ 128,350,278

See accompanying notes to the financial statements.

WISCONSIN CENTER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash flows from operating activities		
Operating loss	$ (24,054,779)	$ (20,488,051)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation and amortization	13,661,708	9,119,071
Change in operating assets and liabilities		
Accounts receivable	(1,953,926)	(1,036,608)
Prepaid expenses and other assets	(131,483)	(158,286)
Accounts payable and other liabilities	(964,092)	221,688
Concession improvement deposits	593,345	743,128
Pension related deferrals and liabilities	513,309	961,184
Net cash flows from operating activities	$ (12,335,918)	$ (10,637,874)
Reconciliation of cash and cash equivalents to the statement of net position		
Unrestricted cash and cash equivalents	$ 6,300,049	$ 5,498,909
Restricted cash and cash equivalents	45,386,819	122,851,369
Cash and cash equivalents, end of year	$ 51,686,868	$ 128,350,278
Noncash investing, capital and financing activities		
Acquisition of capital assets through accounts payable	$ 6,627,138	$ 18,986,266
Contributed capital assets	$ 221,128,282	$ -
Accrued interest on capital appreciation bonds	$ 6,562,155	$ 4,509,371
Amortization of premiums and loss on refunding	$ 1,269,938	$ 1,309,947

See accompanying notes to the financial statements.

WISCONSIN CENTER DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

In 2016, law changes established the ownership of a new NBA quality arena in Milwaukee with the Wisconsin Center District. As of December 31, 2018, construction is substantially complete on the new Arena ("Arena"). Capital assets reflect the full value of the Arena, including contributions made by Deer District LLC and the Greater Milwaukee Foundation, pursuant to the Arena Finance, Funding, and Construction Funds Escrow Agreement.

Reporting Entity

The accounting policies of the Wisconsin Center District, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District is presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In June 2015, the GASB issued statement no. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The District implemented this standard effective January 1, 2018.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

For purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of the District funds is restricted by Wisconsin state statutes. Available investments are limited to:

a. Time deposits in any credit union, bank, savings bank or trust company.

b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics District, or the Wisconsin Aerospace District.

c. Bonds or securities issued or guaranteed by the federal government.

d. The local government investment pool.

e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

g. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The District has not adopted a formal investment policy as of December 31, 2018.

Receivables

Receivables represent amounts due from tax collections and other organizations. Receivables are stated at their estimated net realizable value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid insurance is the surety bond insurance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

The revenue bonds also require redemption accounts. These accounts are set aside for payment of principal and interest due on revenue bonds.

Capital Assets

Capital assets, which include property, buildings, and equipment, along with related improvements, are reported in the Statement of Net Position. Capital assets are assets with an initial cost of more than $500, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

	Building	Improvements	Furniture, Machinery, and Equipment
Wisconsin Center	50 years	10-20 years	5-20 years
Miller High Life Theatre	20 years	8-20 years	5-20 years
UW-Milwaukee Panther Arena	50 years	5-22 years	5-20 years
FiServ Arena	40 years	20 years	n/a

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 2018 and 2017.

Reclassifications

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

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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

Other Postemployment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Long-Term Obligations

Long-term debt and other obligations are reported as District liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

Unearned Revenue

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

Net Position

Net Investment in Capital Assets – Consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted net position – Consists of net position with constraints placed on their use by either 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Effect of New Accounting Standards on Current Period Financial Statements

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

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 87, Leases
- Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 2 - MARKETING AND PROMOTIONAL AGREEMENT

The District has an agreement with Visit Milwaukee through 2020 which provided that the District would fund Visit Milwaukee based upon tax collections and revenue generation for advertising and promotion services directly benefiting the District.

The District paid $7,915,971 and $7,670,977 to Visit Milwaukee related to this agreement in 2018 and 2017, respectively.

NOTE 3 - TAX REVENUE

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

Basic Room Tax

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

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

Additional Room Tax

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

Local Food and Beverage Tax

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

Local Rental Car Tax

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

NOTE 3 - TAX REVENUE (continued)

Local Rental Car Tax (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 year debt obligations.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	2018	2017	
Deposits	$ 28,723,175	$ 55,850,789	Custodial credit risk
Petty cash	4,500	4,700	N/A
U.S. Treasuries	2,077,701	6,321,445	Custodial credit and interest rate risk
U.S. Agencies	3,233,722	48,525,855	Credit, custodial credit, concentration of credit, and interest rate risk
Guaranteed Investment Contract	17,647,770	17,647,489	Credit and concentration of credit
Totals	$ 51,686,868	$ 128,350,278	
Unrestricted	$ 6,300,049	$ 5,498,909	
Restricted	45,386,819	122,851,369	
Totals	$ 51,686,868	$ 128,350,278	

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Deposits in each local area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Market Value

	December 31, 2018			
Investment Type	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ -	$ 3,233,722	$ -	$ 3,233,722
U.S. Treasuries	2,077,701	-	-	2,077,701
Total	$ 2,077,701	$ 3,233,722	$ -	$ 5,311,423

	December 31, 2017			
Investment Type	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ -	$ 48,525,855	$ -	$ 48,525,855
U.S. Treasuries	6,321,445	-	-	6,321,445
Total	$ 6,321,445	$ 48,525,855	$ -	$ 54,847,300

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of December 31, 2018, $29,090,762 of the District's total deposit bank balances of $29,340,762 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2017, $54,597,300 of the District's total deposit bank balances of $54,847,300 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2018, $5,056,340 of the District's total investment bank balances of $22,954,110 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2017, $54,644,139 of the District's total investment bank balances of $72,541,724 was exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a district's investment in a single issuer. At December 31, 2018, the investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal National Mortgage Association	US agency	6%

At December 31, 2017, the investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	US agency	40%
Guaranteed investment contract	Guarantee	24%
Federal National Mortgage Association	US agency	19%
Federal Home Loan Banks	US agency	5%

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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's investments in US agencies of $3,233,722 and $48,525,855 are rated Aaa by Moody's as of December 31, 2018 and 2017, respectively.

The District invests in guaranteed investment contracts (GIC); these types of investments are not rated. As of December 31, 2018 and 2017, the District had $17,647,770 and $17,647,489, respectively, in these types of investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

As of December 31, 2018, the District's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
US Agencies	$ 870,139	Less than one year
US Agencies	2,363,583	1 to 5 years
	$ 3,233,722	
US Treasuries	$ 2,077,701	Less than one year

As of December 31, 2017, the District's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
US Agencies	$ 48,525,855	Less than one year
US Treasuries	$ 6,321,445	Less than one year

WISCONSIN CENTER DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2018 and 2017

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of deposits, U.S. Agencies, U.S. Treasuries, and Guaranteed Investment Contracts and are summarized as follows:

	2018	2017
1996AB Bonds - Revenue Fund Restricted Tax Revenue Account	$ 8,829,305	$ 7,647,109
1996AB Bonds - Principal Account	895,262	905,205
1996AB Bonds - Operating Reserve	2,500,000	2,500,000
1996AB Bonds - Surplus Account	3,389	1,300
1996AB Bonds - Surplus RDM	720	711
1996AB Bonds - Principal Account	9,928	3,633
1996AB Bonds - Surplus Account	-	1,364
1996AB Bonds - Capital maintenance	1,107,178	1,074,468
1996 AB Bonds - Bond Expense Account	3,359	3,356
1999 Junior Debt Service - Reserve Fund	15,047,772	15,047,585
1999 Bonds - Principal Account	8,426	2,555
1999 Bonds - Interest Account	18	12
1999 Bonds - Bond Expense account	1,360	1,101
2003 Bonds - Bond Expense	1,800	1,701
2013A Bonds - Reserve Account	3,075,073	3,053,701
2013A Bonds - Cost of Issuance Account	26,469	26,121
2013A Bonds - Interest Account	19,963	26,121
2013A Bonds - Bond expense account	2,503	2,501
2013A Dedicated Theatre Bonds - Principal Account	872	312
2016 Appropriation Revenue Bonds - Principal Account	2,090,093	2,140,123
2016 Appropriation Revenue Bonds - Project Fund Account	-	38,919,767
2016 Appropriation Revenue Bonds - Admin Expenses Account	53,865	446,578
2016 Appropriation Revenue Bonds - Bond expense account	12,844	1,357
2016A Senior Dedicated Bonds - Principal Account	671	221,585
2016A Senior Dedicated Bonds - Construction Account	-	16,503,775
2016B Junior Dedicated Tax Revenue Bonds - Bond Expense Account	3,004	3,000
2016A Junior Dedication Tax Revenue Bonds - Construction Account	99,000	97,991
2016B Junior Dedicated Tax Revenue Bonds - Bond Expense account	3,000	3,001
2016B Junior Dedicated Tax Revenue Bonds - Taxable Capitalized Interest Account	659,975	1,951,676
2016B Junior Dedicated Tax Revenue Bonds - Taxable Construction Account	7,397,448	28,722,067
2016B Junior Dedicated Tax Revenue Bonds - Taxable COI Account	265,782	271,817
2016B Junior Dedicated Tax Revenue Bonds - Taxable Reserve Account	3,267,740	3,269,776
	$ 45,386,819	$ 122,851,369

Pursuant to the terms of the General Resolution for the 1996 Series A and Series B bonds, as well as the 2016 Series A and 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.

NOTE 5 - RESTRICTED ASSETS (continued)

Junior Debt Service Reserve Fund

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

Revenue Fund Restricted Tax Revenues Account

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

Senior Principal Account

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

Junior Interest Account

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

Capital Maintenance

This account was established to fund capital maintenance requirements.

Operating Reserve Account

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

1996AB Bonds - Surplus Account

This account was established and required by the 1996 bond issuance. These are funds established as a surplus/reserve amount for the 1996AB Bonds.

1996AB Bonds - Surplus RDM

This account was established and required by the 1996 bond issuance. These are funds established as a surplus/reserve amount for the 1996AB Bonds.

NOTE 5 - RESTRICTED ASSETS (continued)

1996AB Bonds - Principal Account

Amounts deposited into the Principal Account are for making principal payments on the Series 1999AB Bonds. Amounts deposited into the Principal Accounts are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the Revenue Fund Restricted Tax Revenue Account.

1999 Bonds - Principal Account

Amounts deposited into the Principal Account are for making principal payments on the Series 1999 Bonds. Amounts deposited into the Principal Accounts are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the Revenue Fund Restricted Tax Revenue Account.

2013A Bonds - Cost of Issuance Account

This account was established and required by the 2013 bond issuance. These are funds available for the costs of issuance of the 2013A Bonds.

2013A Bonds - 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 2013A 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 2013A Bonds.

2013A Dedicated Theatre Bonds - Principal Account

This account was established and required by the 2013 bond issuance. Amounts deposited into the Principal Account are for making principal payments on the Series 2013A Bonds. Amounts deposited into the Principal Accounts are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the Revenue Fund Restricted Tax Revenue Account.

2016 Appropriation Revenue Bonds - Principal Account

This account was established and required by the 2016 bond issuance. Amounts deposited into the Principal Accounts are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the Revenue Fund Restricted Tax Revenue Account.

2016 Appropriation Revenue Bonds - Project Fund Account

This account was established and required by the 2016 bond issuance. These are funds utilized for the construction of the new Arena project.

2016 Appropriation Revenue Bonds - Admin Expenses Account

This account was established and required by the 2016 bond issuance. These are funds available for the costs of issuance of the 2016 Bonds.

NOTE 5 - RESTRICTED ASSETS (continued)

2016A Senior Dedicated Bonds - Principal Account

This account was established and required by the 2016 bond issuance. Amounts deposited into the Principal Accounts are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the Revenue Fund Restricted Tax Revenue Account.

2016A Senior Dedicated Bonds - Construction Account

This account was established and required by the 2016 bond issuance. These are funds utilized for the construction of the new Arena project.

2016A Junior Dedication Tax Revenue Bonds - Construction Account

This account was established and required by the 2016 bond issuance. These are funds utilized for the construction of the new Arena project.

2016B Junior Dedicated Tax Revenue Bonds - Taxable Capitalized Interest Account

This account was established and required by the 2016 bond issuance. These are funds utilized to make interest payments on the 2016B Bonds through December 15, 2018.

2016B Junior Dedicated Tax Revenue Bonds - Taxable Construction Account

This account was established and required by the 2016 bond issuance. These are funds utilized for the construction of the new Arena project.

2016B Junior Dedicated Tax Revenue Bonds - Taxable COI Account

This account was established and required by the 2016B bond issuance. These are funds available for the costs of issuance of the 2016B Bonds.

2016B Junior Dedicated Tax Revenue Bonds - Taxable Reserve Account

This account was established and required by the 2016 bond issuance. These are funds established as a reserve amount for the 2016B Bonds.

WISCONSIN CENTER DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2018 and 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Capital assets not being depreciated				
Land	$ 22,958,953	$ 2,500,000	$ -	$ 25,458,953
Construction in progress	146,684,127	47,960,132	194,644,259	-
Total capital assets not being depreciated	169,643,080	50,460,132	194,644,259	25,458,953
Capital assets being depreciated				
Buildings and improvements	245,992,210	421,644,851	-	667,637,061
Furniture, machinery, and equipment	13,949,811	1,900,069	-	15,849,880
Total capital assets being depreciated	259,942,021	423,544,920	-	683,486,941
Less accumulated depreciation for:				
Buildings and improvements	136,998,719	12,609,930	-	149,608,649
Furniture, machinery, and equipment	9,277,279	1,051,778	-	10,329,057
Total accumulated depreciation	146,275,998	13,661,708	-	159,937,706
Total capital assets being depreciated, net	113,666,023	409,883,212	-	523,549,235
Total capital assets, net	$ 288,309,103	$ 460,343,344	$ 194,644,259	$ 549,008,188

NOTE 6 - CAPITAL ASSETS (continued)

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets not being depreciated				
Land	$ 22,958,953	$ -	$ -	$ 22,958,953
Construction in progress	34,722,556	111,961,571	-	146,684,127
Total capital assets not being depreciated	57,681,509	111,961,571	-	169,643,080
Capital assets being depreciated				
Buildings and improvements	242,150,456	3,841,754	-	245,992,210
Furniture, machinery, and equipment	13,249,634	700,177	-	13,949,811
Total capital assets being depreciated	255,400,090	4,541,931	-	259,942,021
Less accumulated depreciation for:				
Buildings and improvements	128,905,682	8,093,037	-	136,998,719
Furniture, machinery, and equipment	8,251,244	1,026,035	-	9,277,279
Total accumulated depreciation	137,156,926	9,119,072	-	146,275,998
Total capital assets being depreciated, net	118,243,164	(4,577,141)	-	113,666,023
Total capital assets, net	$ 175,924,673	$ 107,384,430	$ -	$ 283,309,103

NOTE 7 - CONCESSION IMPROVEMENT DEPOSITS

The District renewed a previous contract with Levy effective July 1, 2008 through June 30, 2018. 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. There has also been negotiations of an extension of this contract that will run from July 1, 2018 through June 30, 2023.

Over the period of the contracts, Levy made several deposits to the District, totaling $2,300,000. The unamortized balance is recognized as revenue on a monthly basis over a 120 month amortization period for the deposit beginning in July 2008 and ending June 2018 and over a 60 month amortization period for the deposit beginning July 2018 and ending in June 2023. A minimum of $100,000 of this deposit is to be used to upgrade concession stands. As of December 31, 2018 and 2017, the District has $899,998 and $65,000 remaining on deposit, respectively.

NOTE 8 - OBLIGATION UNDER CAPITAL LEASE

In 2010, 2011, and 2014, the District acquired capital assets through lease/purchase agreements. The gross amount of these assets under capital leases is $2,498,871, which are included in capital assets.

The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2018 are as follows:

Year Ending December 31,		
2019	$	314,462
Total minimum lease payments		314,462
Less: amount representing interest		(8,509)
Present value of minimum lease payments	$	305,953

NOTE 9 - LONG-TERM OBLIGATIONS

In February 1996, the District issued $63,455,548 in Senior Dedicated Tax Revenue Bonds, Series 1996A (1996 Senior 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 5.8%. Installments of the bonds mature on December 15 of each year through 2027. Interest on each installment is payable only at maturity. The bonds are insured by MBIA Insurance Corporation and not subject to optional redemption prior to maturity.

February 1999, the District issued $125,775,000 in Junior Dedicated Tax Revenue Refunding Bonds, Series 1999 (1999 Junior Bonds). The 1999 Junior Bonds were issued in order to refund the outstanding balance of the 1996 Junior Bonds and also, to pay costs of issuance of the 1999 Junior Bonds. The bonds mature on December 15 of each year commencing 2012 through 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 state 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 deferred outflow 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 $1,488,688 and $1,821,207 at December 31, 2018 and 2017, 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 Statues. 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.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

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

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

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 deferred outflow 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 $329,732 and $403,005 at December 31, 2018 and 2017, respectively.

In June 2016, the District issued $54,257,238 in Senior Dedicated Tax Revenue Bonds, Series 2016A (2016 Senior Bonds). The proceeds from the sale of the 2016 Senior Bonds will be used for the purpose of financing a portion of certain of the costs associated with the initial construction and development of a sports and entertainment arena facility and related expenditures, and also to pay costs of issuance of the 2016 Senior Bonds. The bonds mature on December 15 of each year commencing 2016 through 2046. The bonds bear interest ranging from 2.00% to 5.00%. 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 state maturity. The 2016 Senior Bonds are special, limited obligations of the District, and neither the full faith and credit nor the taxing power of the State of Wisconsin, the City of Milwaukee, the County of Milwaukee, or any political subdivision of the State of Wisconsin other than the District (with respect to the Tax Revenues) will be pledged to the payment of the principal of, premium, if any, or interest on the 2016 Senior Bonds.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

The 2016 Senior Bonds are capital appreciation bonds and bear interest compounded semi-annually on each June 15 and December 15 at approximate yields ranging from .60% to 3.81%. Installments of the bonds mature on December 15 of each year through 2046. Interest on each installment is payable only at maturity. The bonds are insured by Assured Guaranty Municipal Corp.

In June 2016, the District also issued $108,065,000 Appropriation Revenue Bonds, Series 2016 (2016 Appropriation Bonds). The proceeds from the sale of the 2016 Appropriation Bonds will be used for the purpose of financing a portion of certain of the costs associated with the initial construction and development of a sports and entertainment arena facility and related expenditures, and also to pay costs of issuance of the 2016 Appropriation Bonds. The bonds mature on December 15 of each year commencing 2016 through 2046. The bonds bear interest ranging from 2.00 % to 5.00%. Interest on the bonds is payable semi-annually on June 15 and December 15. The 2016 Appropriation Bonds are special, limited obligations of the District, and neither the full faith and credit nor the taxing power of the State of Wisconsin, the City of Milwaukee, the County of Milwaukee, the District or any other political subdivision of the State of Wisconsin will be pledged to the payment of principal of and interest on the 2016 Appropriation Bonds.

In June 2016, the District also issued $35,000,000 Senior Ticket Surcharge and Annual Fee Revenue and Subordinate Unrestricted Tax Revenue Bonds, Series 2016A (2016 Senior II Bonds). The proceeds from the sale of the 2016 Appropriation Bonds will be used for the purpose of financing a portion of certain of the costs associated with the initial construction and development of a sports and entertainment arena facility and related expenditures, to pay costs of issuance of the 2016 Senior II Bonds, and to pay capitalized interest on the 2016 Senior II Bonds. The 2016 Senior II Bonds are one-term bonds with a final maturity on December 15, 2046, with annual mandatory sinking fund redemptions beginning on December 15, 2021. The bonds bear interest at 6.25%. Interest on the bonds is payable semi-annually on June 15 and December 15. The 2016 Senior II Bonds were refunded in 2016 by the $37,915,000 Junior Dedicated Tax Revenue Refunding Bonds, Series 2016B.

In September 2016, the District issued $37,915,000 Junior Dedicated Tax Revenue Refunding Bonds, Series 2016B (2016 Junior Bonds). The proceeds from the sale of the 2016 Senior Bonds will be used to refund the 2016 Senior II bond issue. The bonds mature on December 15 of each year commencing 2016 through 2046. The bonds bear interest ranging from 4.05% to 4.59%. Interest on the bonds is payable semi-annually on June 15 and December 15.

WISCONSIN CENTER DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2018 and 2017

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Outstanding long-term debt as of December 31, 2018 and 2017 consist of the following:

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Senior Dedicated Tax Revenue Bonds, Series 1996A	$ 15,770,288	$ -	$ 2,046,168	$ 13,724,120	$ 1,912,012
Accrued interest	39,795,223	3,209,846	5,396,594	37,608,475	6,003,652
	55,565,511	3,209,846	7,442,762	51,332,595	7,915,664
Senior Dedicated Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accrued interest	9,444,250	1,022,869	-	10,467,119	-
	17,249,142	1,022,869	-	18,272,011	-
Senior Dedicated Tax Revenue Bonds, Series 2016A	52,757,238	-	500,000	52,257,238	500,000
Accrued Interest	4,760,157	6,807,812	4,760,157	6,807,812	-
	57,517,395	6,807,812	5,260,157	59,065,050	500,000
Junior Dedicated Tax Revenue Refunding Bonds, Series 1999	108,315,000	-	6,280,000	102,035,000	7,455,000
Junior Dedicated Tax Revenue Refunding Bonds, Series 2016B	37,915,000	-	-	37,915,000	-
Junior Dedicated Tax Revenue Refunding Bonds, Series 2013A	25,060,000	-	650,000	24,410,000	670,000
2016 Appropriation Bonds	100,860,000	-	3,770,000	97,090,000	3,915,000
Premiums	15,928,798	-	1,675,731	14,253,067	-
Total	$ 418,410,846	$ 11,040,527	$ 25,078,650	$ 404,372,723	$ 20,455,664

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Bonds	$ 418,410,846	$ 11,040,527	$ 25,078,650	$ 404,372,723	$ 20,455,664

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Senior Dedicated Tax Revenue Bonds, Series 1996A	$ 17,957,876	$ -	$ 2,187,588	$ 15,770,288	$ 2,046,174
Accrued interest	41,574,428	3,433,207	5,212,412	39,795,223	5,889,169
	59,532,304	3,433,207	7,400,000	55,565,511	7,935,343
Senior Dedicated Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accrued interest	8,477,721	966,529	-	9,444,250	-
	16,282,613	966,529	-	17,249,142	-
Senior Dedicated Tax Revenue Bonds, Series 2016A	53,257,238	-	500,000	52,757,238	500,000
Accrued Interest	1,846,732	4,760,157	1,846,732	4,760,157	-
	55,103,970	4,760,157	2,346,732	57,517,395	500,000
Junior Dedicated Tax Revenue Refunding Bonds, Series 1999	113,520,000	-	5,205,000	108,315,000	6,280,000
Junior Dedicated Tax Revenue Refunding Bonds, Series 2016B	37,915,000	-	-	37,915,000	-
Junior Dedicated Tax Revenue Refunding Bonds, Series 2013A	25,695,000	-	635,000	25,060,000	650,000
2016 Appropriation Bonds	104,485,000	-	3,625,000	100,860,000	3,770,000
Premiums	17,672,326	-	1,743,528	15,928,798	-
Total	$ 430,206,213	$ 9,159,893	$ 20,955,260	$ 418,410,846	$ 19,135,343

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due within one year
Bonds	$ 430,206,213	$ 9,159,893	$ 20,955,260	$ 418,410,846	$ 19,135,343

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Estimated payments of other post-employment benefits are not included in the debt service requirement schedules.

Aggregate maturities for the bonds for years subsequent to December 31, 2018 are as follows:

Year ended December 31,	Principal	Interest	Total
2019	$ 14,452,012	$ 17,863,922	$ 32,315,934
2020	14,436,636	17,381,186	31,817,822
2021	13,540,794	16,817,153	30,357,947
2022	16,747,110	16,190,107	32,937,217
2023	16,608,606	15,431,368	32,039,974
2024-2028	83,363,577	64,055,532	147,419,109
2029-2033	50,716,732	44,370,947	95,087,679
2034-2038	57,142,424	30,926,709	88,069,133
2039-2043	52,884,265	30,992,008	83,876,273
2044-2046	15,344,094	18,605,938	33,950,032
Total	335,236,250	$ 272,634,870	$ 607,871,120
Plus: Unamortized premium	14,253,067		
Plus: Accrued interest	54,883,406		
	$ 404,372,723		

The District has pledged future tax revenues, net of specified operating expenses, to repay revenue bonds issued in 1996 through 2016. Proceeds from the bonds provided financing for the various projects of the District, including the refunding of outstanding debt. The bonds are payable solely from revenues and are payable through 2046. Annual principal and interest payments on the bonds are expected to require 33% and 39% as of December 31, 2018 and 2017, respectively, of net revenues. The total principal and interest remaining to be paid on the bonds is $607,828,352 and $633,319,349 as of December 31, 2018 and 2017, respectively. Principal and interest paid for the current year and total net customer revenues were $31,448,234 and $30,711,797 and $22,394,176 and $23,685,830 as of December 31, 2018 and 2017, respectively.

NOTE 10 –NET POSITION

Net position reported on the statement of net position at December 31, 2017 and 2016, includes the following:

	2018	2017
Net Investment in Capital Assets		
Land	$ 25,458,953	$ 22,958,953
Construction in progress	-	146,684,127
Other capital assets, net of accumulated depreciation	523,544,270	113,666,024
Less: Long-term debt outstanding, Net of unspent bond proceeds	(294,417,982)	(261,102,982)
Total Net Investment in Capital Assets	$ 254,585,241	$ 22,206,122
Restricted for Debt Service	$ 19,235,422	$ 19,985,716

NOTE 11 – EMPLOYEES RETIREMENT SYSTEM

Plan Description – The District makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined pension plan, on behalf of all eligible District employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the District to establish and amend benefit provisions. The 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, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

Funding Policy – For general employees participating prior to January 1, 2014, they are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% of their annual pensionable income, and for general employee, participating on or after January 1, 2014, they are required to contribute 4% of their annual pensionable income. The City Charter assigns the District to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The District's contributions to the System for the years ended December 31, 2018 and 2017, was $396,188 and $367,387, respectively, equal to the required contributions on behalf of the plan members for each year.

At December 31, 2018, the District reported a liability of $1,606,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions of benefit terms occurred between the actuarial date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was .4430224% which was a decrease of .0153895% from its proportion measured as of December 31, 2016.

At December 31, 2017, the District reported a liability of $1,953,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions of benefit terms occurred between the actuarial date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was .4584119% which was an increase of .0131385% from its proportion measured as of December 31, 2015.

NOTE 11 - EMPLOYEES RETIREMENT SYSTEM (continued)

For the year ended December 31, 2018 and 2017, the District recognized pension expense of $900,188 and $975,132, respectively.

At December 31, 2018, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 222,000	$ 61,000
Changes in assumptions	809,000	7,000
Net differences between projected and actual earnings on pension plan investments	-	623,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,000	20,000
Employer contributions subsequent to the measurement date	344,739	-
Total	$ 1,380,739	$ 711,000

$344,739 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflow of Resources and Deferred Inflow of Resources (net)
2019	$ 418,326
2020	295,274
2021	(30,200)
2022	(358,400)
Thereafter	-

NOTE 11 - EMPLOYEES RETIREMENT SYSTEM (continued)

At December 31, 2017, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ -	$ 107,000
Changes in assumptions	-	12,000
Net differences between projected and actual earnings on pension plan investments	1,287,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,000	-
Employer contributions subsequent to the measurement date	396,188	-
Total	$ 1,691,188	$ 119,000

$396,188 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Deferred Outflow of Resources and Deferred Inflows of Resources (net)
2018	$ 431,940
2019	430,468
2020	307,416
2021	6,176
Thereafter	-

NOTE 11 - EMPLOYEES RETIREMENT SYSTEM (continued)

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2017, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2017, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

	2018	2017
Actuarial valuation date	January 1, 2017	January 1, 2016
Measurement Date of Net Pension Liability	December 31, 2017	December 31, 2016
Actuarial cost method	Entry age normal-Level Percentage of Pay	Entry age normal-Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected reamining service lives of all members. The differences between projected and actual earning are amortized over a closed period of five years.	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected reamining service lives of all members. The differences between projected and actual earning are amortized over a closed period of five years.
Asset Valuation method	Fair Market Value	Fair Market Value
Actuarial Assumptions:		
Investment rate of return and discount rate	8.00% for calendar years through 2022, and 8.25% beginning with calendar year 2023	8.25% for calendar years through 2017, and 8.50% beginning with calendar year 2018
Projected Salary increases	General City 2.5%-5.5% Police & Fire 4.0% - 13.4%	General City 3.0%-7.5% Police & Fire 3.0% - 14.4%
Inflation Assumption	2.50%	3.00%
Cost of living Adjustments	Vary by Employee Group as explained in summary of plan provisions.	Vary by Employee Group as explained in summary of plan provisions.
Mortality Table	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% of rates for females) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016.	For regular retirees and for survivors, the RP-2000 Combined Mortality Table projected nine years using Scale AA. Future gnerational rates are projected from 2009 based on Scale AA. For duty and ordinary disability retirees, use the RP-2000 Disbility Mortality Table. For death in active service, the rates are similar to those used for refular retirees and survivors with a 6-year setback.
Experience Study	The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience studey for the period January 1, 2012- December 31, 2016.	The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience studey for the period January 1, 2007- December 31, 2011.

NOTE 11 - EMPLOYEES RETIREMENT SYSTEM (continued)

Long-term expected rate of return-the long-term expected rate of return on pension plan investments was determined using Callan Associates' 10 year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2017, are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Rate of Return
Public Equity	49.00%	8.25%
Fixed Income	13.00%	1.83%
Cash	1.00%	0.94%
Real Estate	7.70%	6.91%
Real Assets	3.30%	5.38%
Private Equity	8.00%	12.54%
Absolute Return	18.00%	4.66%
	100%	

Long-term expected rate of return-the long-term expected rate of return on pension plan investments was determined using Callan Associates' 10 year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2016, are summarized in the following table:

Asset Class	Policy	Actual	Long-term Expected Rate of Return
Public Equity	55.00%	55.72%	8.32%
Fixed Income	21.00%	20.50%	1.87%
Cash	1.00%	0.62%	0.92%
Real Estate	7.00%	7.95%	6.82%
Real Assets	3.00%	2.20%	5.63%
Private Equity	5.00%	4.96%	12.52%
Absolute Return	8.00%	8.05%	4.67%
	100%	100%	

Discount Rate – The discount rate used to measure the total pension liability for the years ended December 31, 2018 and December 31, 2017 was 8.24 percent and 8.50 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 8.24 percent for the year ended December 31, 2018 and 8.50 percent for the year ended December 31, 2017, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - EMPLOYEES RETIREMENT SYSTEM (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability as of allocation as of December 31, 2018 and 20176, calculated using the discount rate percent as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.24 percent) or 1 – percentage-point higher (9.24 percent), respectively, than the current rate (in thousands):

2018	1% Decrease (7.24%)	Current Discount (8.24%)	1% Increase (9.24%)
District's proportionate share of the net pension liability (asset)	$ 4,510,000	$ 1,606,000	$ (826,000)

2017	1% Decrease (7.50%)	Current Discount (8.50%)	1% Increase (9.50%)
District's proportionate share of the net pension liability (asset)	$ 4,610,000	$ 1,953,000	$ (280,000)

Additional Financial Information for the ERS- For additional information regarding ERS's financial statements and audit report, please visit the ERS web site at http:/www.cmers.com/About-Us/Reports.htm.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

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 and Benefits Provided

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

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

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a subsidized plan for medical insurance. The retiree pays 100% of the cost except for those grandfathered that retired prior to June 11, 2015. WCD contributes 25% subsidy of the premium for those retirees.

Employees covered by benefit terms

At December 31, 2018, the District had 18 active members and 9 inactive plan members or beneficiaries currently receiving benefits.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

The District's total OPEB liability of $3,301,976 was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 Percent
Salary Increases	For general employees, salary increase rates start at 6.9% at age 25 and decrease steadily to 3.0% at age 50.
Healthcare cost trend rates	Based on actual premium and were equal to -6.0% for pre-medicare benefits and 6.6% for post-medicare benefits. Pre-Medicare trend rates were 8.0% for 2019 and grade down in .5% increments to an ultimate trend rates of 4.5% in 2026. Post-Medicare trend rates are 9.5% for 2019 and grade down in .5% increments to an ultimate trend rates of 4.5% in 2029. Effective in 2022, pre-Medicare/post-Medicare excess trend of 0.39%/0.00% for the PPO Plan and 0.43%/0.10% for the EPO Plan are applied to the base trend healthcare rates to account for the Excise Tax under the Healthcare Reform Act.
Retirees' share of benefit Related costs	45 percent of projected health insurance premiums for retirees

The discount rate was based on Fidelity's 20-Year Municipal GO AA Index as of each measurement date.

For regular retirees and for survivors, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2017, for males and females. For death in active service, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2017, for males and females, then a 6-year setback for males and females. For purposes of the retiree healthcare valuation, the mortality assumption for disabled retirees is the assumption for regular retirees and survivors with a 3-year set forward to the mortality rates.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balance at December 31, 2017	$ 3,344,116
Changes for the year:	
Service cost	136,033
Interest on the Total OPEB liability	111,310
Difference between expected and actual experience	(496)
Changes in assumptions	(191,208)
Benefit payments	(97,779)
Net changes	(42,140)
Balance at December 31, 2018	$ 3,301,976

Changes of assumptions and other inputs reflect a change in the discount rate from 3.31 percent in 2017 to 3.71 percent in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB of the District as well as what the District's total OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current discount rate:

	1% Decrease (2.71%)	Current Discount (3.71%)	1% Increase (4.71%)
Total OPEB Liability	$ 3,812,413	$ 3,301,976	$ 2,887,697

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 7.0 percent) or 1-percentage-point higher (8.0 percent increasing to 9.0 percent) than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Assumption	1% Increase
Total OPEB Liability	$ 2,863,288	$ 3,301,976	$ 3,856,647

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2018, the District recognized OPEB expenses of $219,806. At December 31, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred inflows of resources
Differences between expected and actual non-investment experience	$ 425
Changes in assumptions or other inputs	163,742
Total	$ 164,167

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	$ 27,537
2020	27,537
2021	27,537
2022	27,537
2023	27,537
Thereafter	26,482

For the year ended December 31, 2017, the District participated in the City of Milwaukee healthcare plan. The City is self-insured for benefits under the plan. The plan provides other postemployment benefits (OPEB) to its retirees for health insurance. The plan provides for benefits based on several employee groups. For purposes of the plan, the District's employees are classified as "general City of Milwaukee employees".

Plan Description

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a subsidized plan for medical insurance. The retiree pays 100% of the cost except for those grandfathered that retired prior to June 11, 2015. WCD contributes 25% subsidy of the premium for those retirees.

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, 2017 and 2016, District and plan members receiving benefits paid approximately $30,680 and $29,319 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 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:

	2017	2016
Annual Required Contribution (ARC)	$ 60,144	$ 56,002
Interest on Net OPEB Obligation	6,569	5,878
Adjustment to ARC	(21,180)	(17,197)
Annual OPEB Cost	45,533	44,683
Contribution made	(30,680)	(29,319)
Increase in net OPEB Obligation	14,853	15,364
Net OPEB obligation - beginning of year	145,988	130,624
Net OPEB obligation - end of year	$ 160,841	$ 145,988

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	$ 45,533	66%	$ 160,841
12/31/2016	$ 44,683	66%	$ 145,988
12/31/2015	$ 46,654	59%	$ 130,624

Funded Status and Funding Progress

The most recent actuarial valuation conducted by the City of Milwaukee was as of January 1, 2015.

The District has estimated its portion of the City of Milwaukee's actuarial accrued liability based on the number of District retirees as a percentage of total retirees in the City of Milwaukee General Employees classification. The actuarial accrued liability for benefits was $414,557 and $425,386 for December 31, 2017 and 2016, respectively, and the GASB value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $414,557 and $425,386 for December 31, 2017 and 2016, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $4,015,519 and $3,881,506 and the ratio of the UAAL to the covered payroll was 10.32 and 10.96 percent, for December 31, 2017 and 2016, respectively.

Actuarial Methods and Assumptions

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

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

The OPEB valuation uses a discount rate assumption of 4.5 percent based on the City of Milwaukee's projected short-term investment rate of return. The healthcare cost trends rate is 8.0 percent per year graded down 4.5% per year ultimate trend in .5% increments thereafter for pre-medicare, 9.5% per year graded down to 4.5% per year ultimate trend in .5% increments thereafter for post-medicare.

NOTE 13 - ADVERTISING AGREEMENTS

The District has negotiated advertising agreements with several corporations for the right to advertise on the Arena's main and auxiliary scoreboards and the video walls of the Wisconsin Center's Exhibit Halls. The original terms of these agreements require varying annual payments and have expiration dates ranging through 2020. The District has negotiated trade agreements with several corporations for miscellaneous advertising in promotional material in exchange for equipment and rate reductions.

The District entered into an agreement with MillerCoors for advertising and naming rights in 2015, extending through 2020, with an option for renewal until 2025. The District recognized advertising and naming rights revenues of $373,333 and $363,333 in 2018 and 2017, respectively, for this advertising agreement.

For all advertising and naming rights revenues collectively, the District recognized $570,157 and $677,431 in 2018 and 2017, respectively, under the advertising and naming rights agreements.

In June of 2014, the District entered into a 10 year agreement with UW-Milwaukee, under the terms, the District granted UW-Milwaukee the right to change the name of the U.S. Cellular Arena to the UW-Milwaukee Panther Arena, the right to promote its business through comprehensive signage and pertinent marketing activities in exchange for significant financial support and the right to book priority. UW-Milwaukee is to pay a total of $3,425,000 to the District over the ten year term of the agreement payable in annual installments ranging from $2,450,000 to the District over the seven-year term of the agreement payable in annual installments ranging from $300,000 to $375,000.

NOTE 14 – LEASE AGREEMENTS

The District has entered into a 30 year lease agreement with Deer District LLC to operate the Arena [currently known as the FiServ Forum]. Pursuant to the lease agreement Deer District LLC shall be responsible for paying, throughout the 30 year leasehold term all costs necessary to manage and operate the Arena including all costs of maintenance, capital repairs, replacements, additions, renovation, remodeling, removal, alteration, improvements, insurance, and taxes.

For the rights to operate the Arena, the District recognized lease revenue in the amount of $417,185.55 in 2018, which is year one of the lease agreement, a prorated operating year that commenced August 1, 2018 upon substantial completion of the Arena and concludes June 30, 2019.

Additionally, WCD is paid $2.00 for each qualified ticket [the District Ticket Surcharge] issued for publically ticketed events occurring at the Arena, of which $.50 of each qualified ticket is paid to the State of Wisconsin. In 2018, the District recognized District Ticket Surcharge revenue of $978,333.

NOTE 15 - RISK MANAGEMENT

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

The District has outstanding commitments to finance the Arena in downtown Milwaukee as of December 31, 2018. Work that has been completed but not yet paid for (including contract retainages) is reflected in accounts payable and capital assets. The District booked payables and retainages pertaining to the Arena project of $6,627,138 and $28,873,978 in 2018 and 2017, respectively.

NOTE 17 – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No.75 – *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions (OPEB).* This statement requires the total OPEB liability and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The cumulative effect of implementation is reflected as a change in net position as follows:

Add: OPEB reported at December 31, 2017	$ 160,841
Less: Total OPEB liability	(3,344,117)
Cumulative effect of change in accounting principle	$ (3,183,276)

REQUIRED SUPPLEMENTARY INFORMATION

WISCONSIN CENTER DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -
OTHER POSTEMPLOYMENT BENEFITS OBLIGATION - DISTRICT RETIREE BENEFITS PLAN
For the Year Ended December 31, 2018

		2018
Total OPEB Liability		
Service cost	$	136,033
Interest		111,310
Differences between expected and actual experience		(496)
Changes of assumptions		(191,208)
Benefit payments		(97,779)
Net Change in Total OPEB Liability		(42,140)
Total OPEB Liability - Beginning		3,344,116
Total OPEB Liability - Ending	$	3,301,976
Covered-employee payroll	$	1,169,486
Total OPEB liability as a percentage of covered-employee payroll		282.34%

Note: This schedule is to show information for 10 years.
However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WISCONSIN CENTER DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS
OBLIGATION - DISTRICT RETIREE BENEFITS PLAN
For the Year Ended December 31, 2018

	2018
Actuarially determined contribution	$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 1,169,486
Contributions as a percentage of covered-employee payroll	0.00%

Note: This schedule is to show information for 10 years.
However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditors' report and accompanying notes to required supplementary information.

WISCONSIN CENTER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) -
CITY OF MILWAUKEE EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended December 31, 2018

ERS Fiscal Year Ending Date	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proprotionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.4724990%	$ 534,000	$ 2,492,000	21.43%	97.76%
12/31/15	0.4452734%	1,873,000	2,386,000	78.50%	91.87%
12/31/16	0.4584119%	1,953,000	2,677,000	72.95%	91.98%
12/31/17	0.4430224%	1,606,000	2,557,000	62.81%	93.70%

WISCONSIN CENTER DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
CITY OF MILWAUKEE EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended December 31, 2018

District Fiscal Year Ending Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	$ 355,500	$ 355,500	$ -	$3,961,063	8.97%
12/31/16	367,387	367,387	-	4,065,887	9.04%
12/31/17	396,188	396,188	-	4,217,087	9.39%
12/31/18	344,739	344,739	-	4,319,375	7.98%

See independent auditors' report and accompanying notes to required supplementary information.

Employees' Retirement System (ERS)

The amounts presented in relation to the schedule of employer's proportionate share of the net pension liability and the schedule of employer contributions represents the specific data of the District. The Information was derived using a combination of the employer's contribution data along with data provided by the ERS in relation to the District as a whole.

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

Change of assumptions. There were no changes in the assumptions.

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Other Post Employment Benefits

The District is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for District.

Changes in Assumptions. There were no changes in assumptions.

OTHER AUDITORS' REPORT

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

Independent Auditors' Report

To the Board of Directors
Wisconsin Center District
Milwaukee, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wisconsin Center District ("District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Wisconsin Center District's basic financial statements and have issued our report thereon dated May 10, 2019.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These material weaknesses are items 2018-001, 2018-002 and 2018-003.

To the Board of Directors
Wisconsin Center District

Compliance and Other Matters

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

Wisconsin Center District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
May 10, 2019

WISCONSIN CENTER DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
As of and for the Year Ended December 31, 2018

Finding reference number:	2018-001
Finding title:	Internal Control Environment
Criteria:	Management is responsible for establishing and maintaining effective internal control over financial reporting, the selection of accounting principles and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.
Condition:	The size of the District's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system. The District primarily operates its accounting and reporting function with four individuals.
Context:	The District operates its accounting and reporting function with principally four individuals which precludes a proper segregation of duties between the physical custody of assets and the related recordkeeping.
Effect:	Errors or irregularities could occur and not be detected in a timely manner.
Cause:	The District has a limited number of staff.
Recommendations:	Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional costs that would be required to remedy the current conditions.
Management's response:	Management concurs with the finding and has determined that the economic cost of addressing this issue out weighs the benefits to be achieved at this time. Management will continue to operate its accounting and reporting functions with two individuals. Management will continue to monitor and supervise the accounting and reporting functions.

WISCONSIN CENTER DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
As of and for the Year Ended December 31, 2018

Finding reference number:	2018-002
Finding title:	Internal control over financial reporting
Criteria:	Generally accepted auditing standards AU-C section 265 requires the communication of significant deficiencies and material weaknesses in the year end reporting process.
Condition:	The District's personnel do not have the necessary technical expertise in governmental accounting and reporting to prepare the financial statements in accordance with generally accepted accounting principles.
Effect:	Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.
Cause:	Due to staffing and financial limitations, the District chooses to contract with the auditors to prepare the annual financial statements.
Recommendations:	Management should evaluate the cost benefit relationship of continuing to use the services of the audit firm to prepare financial statements. Management should continue to review and closely monitor the financial affairs of the organization.
Management's response:	Management agrees with the finding and has determined that due to the size of the organization and the limited number of accounting and administrative personnel, it is not cost effective to hire additional personnel or use the services of another CPA firm to prepare the organization's financial statements.

WISCONSIN CENTER DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
As of and for the Year Ended December 31, 2018

Finding reference number:	2018-003
Finding title:	Box Office Ledger and Intra-Company Receivable
Criteria:	Generally accepted auditing standards AU-C section 265 requires the communication of significant deficiencies and material weaknesses in internal controls.
Condition:	The District, who was under new financial management beginning in July of 2018, noted the existence of a box office ledger that had not been appropriately reconciled to the District's operating ledger.
Effect:	Information provided to management throughout the year may not have been accurate.
Cause:	Due to staffing limitations and time constraints, the District was not able to reconcile the box office ledger intra company receivables to the same receivables included on the operating ledger.
Recommendations:	We recommend that during 2019 the box office ledger be combined into the operating ledger. Furthermore, we recommend analysis be done on the operating ledger accounts receivable account and supporting subsidiary ledger and any necessary adjustments be recorded.
Management's response:	Management agrees with the finding and the finding has been independently contemplated by the current financial management team and management believes such recommendations will be executed prior to the conclusion of the 2019 fiscal year.