

# **Wisconsin Center District**

Financial Statements and  
Supplementary Information

December 31, 2022 and 2021

# Wisconsin Center District

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December 31, 2022 and 2021

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## **INDEPENDENT AUDITORS' REPORT**

## Independent Auditors' Report

To the Board of Directors of  
Wisconsin Center District

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the Wisconsin Center District (District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1, the District adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Accordingly, the accounting changes have been retroactively applied to the prior period presented. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 19, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
May 19, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **WISCONSIN CENTER DISTRICT**

### **Management's Discussion and Analysis**

Years ended December 31, 2022, 2021 and 2020

(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, 2022, along with comparative information for 2021 and 2020.

#### **Financial Highlights**

##### **Year Ended December 31, 2022**

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at December 31, 2022 by \$134,040,721 (net position). Of this amount, \$49,182,393 is restricted for debt service and \$191,267,054 is associated with net investment in capital assets. This leaves a deficit of \$106,408,726 for unrestricted net position.
- The District's December 31, 2022 total net position of \$134,040,721 reflects a decrease of \$10,119,534 from December 31, 2021 balance of \$144,160,255.

##### **Year Ended December 31, 2021**

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at December 31, 2021 by \$144,160,255 (net position). Of this amount, \$50,723,260 is restricted for debt service and \$187,403,698 is associated with net investment in capital assets. This leaves a deficit of \$93,966,703 for unrestricted net position.
- The District's December 31, 2021 total net position of \$144,160,255 reflected a decrease of \$18,502,479 from December 31, 2020 balance of \$162,662,734.

##### **Year Ended December 31, 2020**

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at December 31, 2020 by \$162,662,734 (net position). Of this amount, \$49,042,385 is restricted for debt service and \$201,759,458 is associated with net investment in capital assets. This leaves a deficit of \$88,139,109 for unrestricted net position.
- The District's December 31, 2020 total net position of \$162,662,734 reflected a decrease of \$30,865,600 from December 31, 2019 balance of \$193,528,334.



## 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).

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 11-15 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 16-51 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 \$134,040,721 at the close of the most recent fiscal year. This compares to \$144,160,254 at the close of the previous year.

The table below presents a comparison of net position fiscal year ended December 31, 2022, along with comparative information for 2021 and 2020.

## Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Current and other assets	\$ 468,454,259	\$ 531,339,135	\$ 515,175,806
Capital assets and deferred outflows	<u>658,085,389</u>	<u>543,724,268</u>	<u>533,717,276</u>
Total Assets and deferred outflows	<u>1,126,539,648</u>	<u>1,075,063,403</u>	<u>1,048,893,082</u>
<b>Liabilities</b>			
Current liabilities	74,132,084	34,874,690	20,253,412
Long-term liabilities and deferred inflows	<u>918,366,843</u>	<u>896,028,458</u>	<u>865,976,936</u>
Total Liabilities and deferred inflows	<u>992,498,927</u>	<u>930,903,148</u>	<u>886,230,348</u>
<b>Net Position</b>			
Net investment in capital assets	191,267,054	187,403,698	201,759,458
Restricted	49,182,393	50,723,260	49,042,385
Unrestricted (deficit)	<u>(106,408,726)</u>	<u>(93,966,703)</u>	<u>(88,139,109)</u>
Total Net Position	<u>\$ 134,040,721</u>	<u>\$ 144,160,255</u>	<u>\$ 162,662,734</u>

## 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 \$191,267,054 (\$187,403,698 and \$201,759,458 at December 31, 2021 and 2020 respectively) and reflects 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, \$49,182,393 (\$50,723,260 and \$49,042,385 at December 31, 2021, and 2020 respectively) 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 \$106,408,726 (\$93,966,703 and \$88,139,109 at December 31, 2021 and 2020 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 \$88,073,352 (\$71,193,346 and \$55,847,533 at December 31, 2021 and 2020 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 \$18,335,374 in net deficit (\$22,773,357 and \$32,291,576 at December 31, 2021 and 2020 respectively).

## Changes in Net Position (continued)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues			
Rental and labor service revenues	\$ 5,823,962	\$ 4,833,855	\$ 4,122,555
Other	<u>10,312,209</u>	<u>7,374,208</u>	<u>3,020,332</u>
Total Operating Revenues	<u>16,136,171</u>	<u>12,208,063</u>	<u>7,142,887</u>
Operating Expenses			
Allocated operating expenses	11,593,571	6,990,703	5,868,475
Unallocated operating expenses	15,472,608	12,655,894	16,971,789
Depreciation and amortization	<u>18,678,792</u>	<u>18,772,071</u>	<u>19,964,273</u>
Total Operating Expenses	<u>45,744,971</u>	<u>38,418,668</u>	<u>42,804,537</u>
Nonoperating Income (Expenses)			
Net tax revenue	40,662,572	32,205,460	17,771,015
Bond amortization and interest expense	(35,398,894)	(34,151,367)	(21,607,076)
State of Wisconsin contribution	8,000,000	8,000,000	8,000,000
Grant revenue	491,918	983,835	395,308
Other	<u>5,733,670</u>	<u>670,198</u>	<u>236,803</u>
Net Nonoperating Income (Expense)	<u>19,489,266</u>	<u>7,708,126</u>	<u>4,796,050</u>
Increase in net position	(10,119,534)	(18,502,479)	(30,865,600)
Net Position - Beginning of Year	<u>144,160,255</u>	<u>162,662,734</u>	<u>193,528,334</u>
Net Position - End of Year	<u>\$ 134,040,721</u>	<u>\$ 144,160,255</u>	<u>\$ 162,662,734</u>

## Year Ended December 31, 2022

The 2022 total operating revenues of \$16,136,171 reflect an increase of \$3,928,063 (or 32.2%) when compared to the prior year total amount of \$12,208,063. This increase in revenue is primarily attributable to the business operating for a full twelve months of normal operations compared to a partial year in 2021, as business was still recovering from the impacts of Covid-19.

The 2022 total operating expenses of \$45,744,971 reflects an increase of \$7,326,303 (or 19.1%) when compared to the prior year amount of \$38,418,668. Allocated operating expenses increased due to the year over year increase in event activity. The District also saw a substantial increase in its payment due Visit Milwaukee, which was driven primarily by the year over year increase in prior year tax revenues.

The 2022 net non-operating income of \$19,489,266 reflects an increase of \$11,781,140 (or 152.84%) when compared to the prior year amount of \$7,708,126. This change is primarily attributable to the continued recovery in tax collections, increased interest income earned on short-term restricted asset investments, and the incorporation of GASB 87 into the financial statements.

### **Year Ended December 31, 2021**

The 2021 total operating revenues of \$12,208,063 reflects an increase of \$5,065,176 (or 70.9%) when compared to the prior year total amount of \$7,142,887. This increase in revenue is primarily attributable to the recovery of business following the depths of the Covid-19 pandemic in 2020 in which government shut downs prevented the District from booking and hosting meetings and conventions in its facilities.

The 2021 total operating expenses of \$38,418,668 reflects a decrease of \$4,385,869 (or 10.2%) when compared to the prior year amount of \$42,804,537. While expenses incurred to operate the business increased year over year due to an increase in event activity, the District realized an overall decrease in this category primarily attributable to a reduced payment due Visit Milwaukee, which is driven primarily by prior year tax revenues.

The 2021 net non-operating income of \$7,708,126 reflects an increase of \$2,912,076 (or 60.7%) when compared to the prior year amount of \$4,796,050. This change is primarily attributable to a recovery in tax collections. As government mandated lock downs lifted, and an effective vaccine became available, business activity in the restaurant and hotel markets in the City and County of Milwaukee increased. Such increase in tax revenues was partially offset by the District's increase in bond interest expense as a result of the debt issued in December, 2020 to finance the expansion of the existing convention center.

### **Year Ended December 31, 2020**

The 2020 total operating revenues of \$7,142,887 reflects a decrease of \$11,532,780 (or 61.8%) when compared to the prior year total amount of \$18,675,667. This decrease in revenue is primarily attributable to the impacts of the Covid-19 pandemic and the resulting cancellation of all events in the District's three buildings beginning March 13<sup>th</sup>, the date a National Emergency was declared, through year end. Revenue streams earned from Deer District LLC also dried up as all events scheduled to occur at the Fiserv Forum cancelled or postponed in 2020 following the national emergency declaration.

The 2020 total operating expenses of \$42,804,537 reflects a decrease of \$6,099,416 (or 12.5%) when compared to the prior year amount of \$48,903,953. This decrease is primarily attributable to cost cutting measures the District implemented following the National Emergency Declaration to mitigate the negative financial impacts of the Covid-19 shutdowns.

The 2020 net non-operating income of \$4,796,050 reflects a decrease of \$22,930,870 (or 82.7%) when compared to the prior year amount of \$27,726,920. This change is primarily attributable to a decrease in tax revenue collections caused by the Covid-19 shutdowns, in which little to no business activity was occurring at City or County hotels and restaurants for most of the calendar year following the National Emergency Declaration. Additional, bond amortization and interest expense increased year over year as a result of the two debt transactions initiated by the District in 2020. The first transaction, closing on June 11, was in response to the Covid-19 National Emergency, which restricted existing debt to lower near term debt service payments as well as infused operating cash into the District. The second transaction, closing on December 15, financed the expansion of the Wisconsin Center. Groundbreaking is expected to occur on this project in 4<sup>th</sup> quarter of 2021.

## Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets as of December 31, 2022, amounts to \$649,066,632 (net of accumulated depreciation). At the end of the prior year, the investment was \$532,845,491. Capital assets include land, buildings, improvements, and machinery and equipment. The total increase in the District's capital assets from 2022 to 2021 was \$116,221,141 (or 21.81%).

A summary of capital Assets as of December 31, 2022 and the two prior years is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 25,458,953	\$ 25,458,953	\$ 25,458,953
Construction in progress	163,867,998	31,330,920	2,568,332
Buildings and improvements, net	455,862,554	472,157,197	489,547,884
Machinery and equipment, net	<u>3,877,127</u>	<u>3,898,421</u>	<u>4,643,217</u>
Total	<u>\$ 649,066,632</u>	<u>\$ 532,845,491</u>	<u>\$ 522,218,386</u>

Additional information on the District's capital assets can be found in note 6 on pages 31-32 of this report.

### Long-term debt.

At December 31, 2022, the District had total bonded debt outstanding of \$809,676,869 (net of unamortized bond premiums, discounts, and losses on refunding), of which \$13,478,606 is current. At the end of the prior year, the District had total bonded debt outstanding of \$801,171,538, of which \$12,712,100 was current. This debt represents bonds secured by specified future tax collections of the District. In addition, the District had \$88,073,351 in accrued interest at December 31, 2022 (\$71,193,346 at prior year end) related to the capital appreciation bonds.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Long-Term Debt			
Bonded debt outstanding	\$ 809,676,869	\$ 801,171,538	\$ 809,003,611
Accrued interest	<u>88,073,351</u>	<u>71,193,346</u>	<u>56,337,765</u>
Total	<u>897,750,220</u>	<u>872,364,884</u>	<u>865,341,376</u>
Current Portion of Long-Term Debt			
Bonded debt	(13,478,606)	(12,712,100)	(6,820,794)
Accrued interest	<u>(6,074,887)</u>	<u>(6,010,798)</u>	<u>(5,856,513)</u>
Total	<u>(19,553,493)</u>	<u>(18,722,898)</u>	<u>(12,677,307)</u>
Long-Term Portion	<u>\$ 878,196,727</u>	<u>\$ 853,641,986</u>	<u>\$ 852,664,069</u>

Additional information on the District's long-term debt can be found in note 8 on pages 33 - 38 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 Senior Vice President of Finance, Wisconsin Center District, 400 West Wisconsin Avenue, Milwaukee, WI 53203.

## **BASIC FINANCIAL STATEMENTS**

**Wisconsin Center District**Statements of Net Position  
December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b> (as restated)
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,020,002	\$ 13,396,130
Accounts receivable, less allowance for doubtful accounts of \$54,374 in 2022 and \$137,010 in 2021	1,711,513	3,012,974
Tax revenues receivable	7,107,695	6,591,691
Lease receivables	1,202,880	1,228,527
Prepaid expenses and other current assets	300,524	201,737
Total current assets	<u>32,342,614</u>	<u>24,431,059</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	383,117,133	454,932,013
Restricted accrued investment income	2,090,674	-
Prepaid insurance	23,288,495	24,001,941
Lease receivables	27,615,343	27,974,122
Capital assets:		
Nondepreciable	189,326,951	56,789,873
Depreciable	459,739,681	476,055,618
Total noncurrent assets	<u>1,085,178,277</u>	<u>1,039,753,567</u>
Total assets	<u>1,117,520,891</u>	<u>1,064,184,626</u>
<b>Deferred Outflows of Resources</b>		
Deferred charges on refunding	6,983,627	7,429,124
Deferred outflows of resources related to OPEB	926,435	1,246,515
Deferred outflows of resources related to pensions	1,108,695	2,203,138
Total deferred outflows of resources	<u>9,018,757</u>	<u>10,878,777</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	42,424,995	8,033,176
Accrued expenses	2,397,441	1,784,189
Accrued interest payable	571,726	596,148
Concession improvement deposits	5,100,000	299,986
Due to Greater Milwaukee Convention and Visitor's Bureau	1,535,603	3,060,117
Unearned revenue	3,120,552	2,974,324
Current installments of accrued interest	5,503,161	5,414,650
Current installments of bonds payable	13,478,606	12,712,100
Total current liabilities	<u>74,132,084</u>	<u>34,874,690</u>
<b>Long-Term Liabilities</b>		
Net pension liability	1,691,000	5,727,000
Other postemployment benefits	2,922,129	5,468,637
Accrued interest expense, less current portion	82,570,190	65,778,696
Bonds payable, net, less current portion	796,198,262	788,459,438
Total long-term liabilities	<u>883,381,581</u>	<u>865,433,771</u>
Total liabilities	<u>957,513,665</u>	<u>900,308,461</u>
<b>Deferred Inflows of Resources</b>		
Unearned lease revenue	28,818,223	29,202,649
Deferred inflows of resources related to OPEB	2,536,039	363,038
Deferred inflows of resources related to pensions	3,631,000	1,029,000
Total deferred inflows of resources	<u>34,985,262</u>	<u>30,594,687</u>
<b>Net Position</b>		
Net investment in capital assets	191,267,054	187,403,698
Restricted for debt service	49,182,393	50,723,260
Unrestricted (deficit)	<u>(106,408,726)</u>	<u>(93,966,703)</u>
Total net position	<u>\$ 134,040,721</u>	<u>\$ 144,160,255</u>

See notes to the financial statements



## Wisconsin Center District

Statements of Revenue, Expenses and Changes in Net Position  
Years Ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b> (as restated)
<b>Operating Revenue</b>		
Space rentals	\$ 3,645,014	\$ 3,210,641
Equipment rentals	1,575,097	507,185
Commission on concession sales	3,775,587	1,409,754
Labor service revenue	603,851	1,116,029
Advertising revenue	631,267	428,116
Information technology revenue	836,315	514,268
Box office revenue	3,366,281	1,519,387
Parking revenue	13,934	574,336
Other	1,688,825	2,928,347
	<hr/>	<hr/>
Total operating revenue	16,136,171	12,208,063
<b>Operating Expenses</b>		
Allocated expenses:		
Wages	4,473,986	3,141,164
Utilities	2,823,900	2,081,787
Building maintenance and repairs	1,174,652	641,329
Other	3,121,033	1,126,423
	<hr/>	<hr/>
Total allocated operating expenses	11,593,571	6,990,703
<b>Unallocated Expenses</b>		
Administrative salaries and wages	4,482,224	3,502,468
Employee benefits	1,609,953	3,543,903
Advertising and promotion	7,081,297	3,647,849
Legal services	189,011	144,405
Insurance	840,838	785,255
Professional services	298,774	222,051
Depreciation	18,678,792	18,772,071
Other	970,511	809,963
	<hr/>	<hr/>
Total unallocated operating expenses	34,151,400	31,427,965
	<hr/>	<hr/>
Total operating expenses	45,744,971	38,418,668
	<hr/>	<hr/>
Operating loss	\$ (29,608,800)	\$ (26,210,605)

See notes to the financial statements

## Wisconsin Center District

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (as restated)
<b>Nonoperating Income (Expense)</b>		
Tax revenue:		
Additional room tax revenue	\$ 15,599,480	\$ 11,770,911
Basic room tax revenue	9,454,713	7,006,038
Food and beverage tax revenue	13,524,210	11,599,918
Rental car tax revenue	3,148,197	2,671,342
	<u>41,726,600</u>	<u>33,048,209</u>
State of Wisconsin administrative fee	<u>(1,064,028)</u>	<u>(842,749)</u>
Net tax revenue	<u>40,662,572</u>	<u>32,205,460</u>
State of Wisconsin and Milwaukee County contributions	8,000,000	8,000,000
Grant revenue	491,918	983,835
Investment income	5,149,147	356,591
Interest income, leases	899,382	313,607
Payment in lieu of taxes, City of Milwaukee	(250,000)	-
Gain on disposal of assets	(64,859)	-
Bond amortization and interest expense	<u>(35,398,894)</u>	<u>(34,151,367)</u>
Total nonoperating income	<u>19,489,266</u>	<u>7,708,126</u>
Change in net position	(10,119,534)	(18,502,479)
<b>Net Position, Beginning</b>	<u>144,160,255</u>	<u>162,662,734</u>
<b>Net Position, Ending</b>	<u>\$ 134,040,721</u>	<u>\$ 144,160,255</u>

See notes to the financial statements

## Wisconsin Center District

### Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (as restated)
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 16,567,769	\$ 8,260,971
Payments to suppliers	(15,186,688)	(13,047,775)
Payments to employees	(8,956,210)	(6,643,632)
	<u>(7,575,129)</u>	<u>(11,430,436)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Receipts from additional room tax	15,599,480	11,770,911
Payment in lieu of taxes, City of Milwaukee	(250,000)	-
Receipts from grants	491,918	983,835
Payment of tax collection administrative fee	(1,064,028)	(842,749)
	<u>14,777,370</u>	<u>11,911,997</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Receipts from basic room tax	9,454,713	7,006,038
Receipts from food and beverage tax	13,524,210	11,599,918
Receipts from rental car tax	3,148,197	2,671,342
Contribution from State of Wisconsin and Milwaukee County	8,000,000	8,000,000
Debt issued	-	23,600,000
Debt issued, construction	31,175,000	-
Discount on debt issued	(901,593)	-
Principal payment on bonds payable - refunding	-	(23,050,000)
Principal payment on bonds payable	(20,492,109)	(6,110,794)
Interest paid on bonds payable	(18,660,335)	(19,787,473)
Debt issuance costs paid	-	(550,000)
Capital assets purchased	(99,599,186)	(22,620,662)
	<u>(74,351,103)</u>	<u>(19,241,631)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income	3,957,854	1,274,695
	<u>(63,191,008)</u>	<u>(17,485,375)</u>
<b>Cash and Cash Equivalents, Beginning</b>	<u>468,328,143</u>	<u>485,813,518</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 405,137,135</u>	<u>\$ 468,328,143</u>

See notes to the financial statements

## Wisconsin Center District

### Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (as restated)
<b>Reconciliation of Operating Loss to Net Cash Flows From Operating Activities</b>		
Operating loss	\$ (29,608,800)	\$ (26,210,605)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization	18,678,792	18,772,071
Change in operating assets and liabilities:		
Accounts receivable	1,169,883	(4,475,099)
Prepaid expenses and other assets	(98,787)	(138,143)
Accounts payable and other liabilities	(360,535)	(3,107,304)
Advanced customer deposits	3,421,728	2,811,578
Unearned revenue	(384,426)	(873,817)
Pension and OPEB related deferrals and liabilities	(392,984)	1,790,883
Net cash flows from operating activities	<u>\$ (7,575,129)</u>	<u>\$ (11,430,436)</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Unrestricted cash and cash equivalents	\$ 22,020,002	\$ 13,396,130
Restricted cash and cash equivalents	<u>383,117,133</u>	<u>454,932,013</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 405,137,135</u>	<u>\$ 468,328,143</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Acquisition of capital assets through accounts payable	<u>\$ 42,201,970</u>	<u>\$ 6,836,364</u>
Accrued interest on capital appreciation bonds	<u>\$ 22,687,896</u>	<u>\$ 20,569,787</u>
Amortization of premiums, loss on refunding and bond insurance, net	<u>\$ 117,024</u>	<u>\$ (1,832,146)</u>

See notes to the financial statements

# Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

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## 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) a 10,000 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 (NBA Arena) in Milwaukee with the Wisconsin Center District. Construction was completed on the NBA Arena in 2019 and capital assets reflect the full value of the NBA Arena, including contributions made by Deer District LLC and the Greater Milwaukee Foundation, pursuant to the Arena Finance, Funding and Construction Funds Escrow Agreement.

In 2020, the District issued debt for the purpose of funding an expansion of the Wisconsin Center. The expansion will increase the size of the exposition hall by 60% to a total of 300,000 contiguous square feet, include a new fourth floor ballroom and will add no less than 24 new meeting rooms and 400 parking spaces. The completion of the expansion is expected during the first quarter of 2024.

The District expects the construction of the expansion will necessitate over 1,100 construction jobs onsite and as many off-site, generating more than \$100 million in wages to boost the economy. Additionally, the plan includes a 31% minority-owned-business clause and 40% of on-site construction jobs will be dedicated to the Residents Preference Program for City residents.

After completion, expanded operations are expected to bring in more than 100,000 new visitors annually to Milwaukee, nearly double visitor spending within five years and support approximately 2,000 full time Wisconsin jobs. The District expects the expansion to serve as an economic catalyst of the community recovery from the Covid-19 pandemic.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### Reporting Entity

The accounting policies of the Wisconsin Center District 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.

### 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 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the District's leasing activities. The District adopted this standard effective January 1, 2022 and the accounting change has been applied to the prior period presented.

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.

### 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.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

- 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, 2022.

### 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.

### Leases

The District is a lessor because it leases capital assets to other entities. As a lessor, the District reports a lease receivable and corresponding deferred inflow of resources in financial statements. The District continues to report and depreciate the capital assets being leased as capital assets of the District.

### 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.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### 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:

	<u>Building</u>	<u>Improvements</u>	<u>Furniture, Machinery and Equipment</u>
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 expense interest incurred on bond obligations relating to construction in progress during the course of the project.

### 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.

### 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 Post-Employment 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.



## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### 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 refunding's 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, as well as advance rent deposits and ticket receipts for events that have not yet occurred. 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.

### 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 nonexchange transactions including federal, state and local grants and tax revenues.

### Operating Expenses

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

# Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

## Effect of New Accounting Standards on Current Period Financial Statements

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

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

## 2. Marketing and Promotional Agreement

The District has an agreement with Visit Milwaukee through 2025 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 incurred expense of \$6,765,945 and \$3,376,682 in 2022 and 2021, respectively, related to Visit Milwaukee and this agreement.

## 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 3% on the gross receipts derived from the rental of rooms and lodging to transients by hotelkeepers, motel operators, and other persons furnishing accommodations available to the public. The Basic Room Tax is imposed on all such lodging within Milwaukee County. Under the Authorizing Legislation, the District may not increase the rate of the Basic Room Tax beyond 3%.

### 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%.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### Local Rental Car Tax

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

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

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

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 fund annual debt obligations.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### 4. Deposits and Investments

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

	<u>2022</u>	<u>2021</u>	
Deposits	\$ 60,706,382	\$ 123,475,896	Custodial credit risk
Petty Cash	7,218	108,775	N/A
Certificates of deposit, negotiable	20,000,000	-	Custodial credit risk, credit risk, concentration of credit and interest rate risk
U.S. Treasuries	324,025,713	331,291,131	Custodial credit and interest rate risk
U.S. Agencies	397,822	622,321	Credit, custodial credit, concentration of credit and interest rate risk
Guaranteed Investment Contract	-	12,830,020	Credit and concentration of credit risk
Total	<u>\$ 405,137,135</u>	<u>\$ 468,328,143</u>	
Unrestricted	\$ 22,020,002	\$ 13,396,130	
Restricted	<u>383,117,133</u>	<u>454,932,013</u>	
Total	<u>\$ 405,137,135</u>	<u>\$ 468,328,143</u>	

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 for the years ended December 31, 2022 and 2021 are as follows:

- Market Value

	<u>December 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Agencies	\$ -	\$ 397,822	\$ -	\$ 397,822
U.S. Treasuries	324,025,713	-	-	324,025,713
Certificates of deposit, negotiable	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>20,000,000</u>
Total	<u>\$ 344,025,713</u>	<u>\$ 397,822</u>	<u>\$ -</u>	<u>\$ 344,423,535</u>

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
U.S. Agencies	\$ -	\$ 622,321	\$ -	\$ 622,321
U.S. Treasuries	331,291,131	-	-	331,291,131
Total	\$ 331,291,131	\$ 622,321	\$ -	\$ 331,913,452

### 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, 2022, \$60,456,382 of the District's total deposit bank balances of \$60,706,382 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2021, \$123,225,896 of the District's total deposit bank balances of \$123,475,896 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, 2022, \$328,926,735 of the District's total investment bank balances of \$344,423,535 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2021, \$331,663,452 of the District's total investment bank balances of \$344,743,472 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, 2022, the investment portfolio concentration of investments greater than 5% of the total portfolio was none.

At December 31, 2022, the investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

Issuer	Investment Type	Percentage of Portfolio
U.S. Bank	Certificates of deposit, negotiable	98 %

At December 31, 2021, the investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

Issuer	Investment Type	Percentage of Portfolio
U.S. Bank	Guarantee contracts	94 %

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### 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 \$397,822 and \$622,321 are rated AAA by Moody's as of December 31, 2022 and 2021, respectively.

The District invests in guaranteed investment contracts (GIC); these types of investments are not rated. As of December 31, 2022 and 2021, the District had \$0 and \$12,830,020, respectively, in these types of investments.

The District invests in negotiable certificates of deposit; these types of investments are not rated. As of December 31, 2022 and 2021, the District had \$20,000,000 and \$0, 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, the District's investments for the years ended December 31, 2022 and 2021 are as follows:

Investment Type	2022	
	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	\$ 397,822	Less than one year
Certificates of deposit, negotiable	\$ 20,000,000	Less than one year
U.S. Treasuries	\$ 324,025,713	Less than one year
Investment Type	2021	
	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	\$ 224,499	Less than one year
U.S. Agencies	397,822	1 to 5 years
	\$ 622,321	
U.S. Treasuries	\$ 331,037,996	Less than one year
U.S. Treasuries	253,135	1 to 5 years
	\$ 331,291,131	

## Wisconsin Center District

### Notes to Financial Statements

December 31, 2022 and 2021

#### 5. Restricted Assets

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

	<u>2022</u>	<u>2021</u>
1996A Tax Revenue Bonds - Revenue Fund Restricted Tax Revenue Account	\$ 21,643,861	\$ 24,529,522
1996A Tax Revenue Bonds - Unrestricted Tax Revenue Account	859,426	704,386
1996A Tax Revenue Bonds - Operating Reserve	2,500,000	2,500,000
1999 Junior Dedicated Tax Revenue Bonds - Interest Account	3,661	386
1996A Tax Revenue Bonds - Special Redemption Fund	743	736
1996A Tax Revenue Bonds - Capital maintenance	1,245,487	1,209,198
1996A Tax Revenue Bonds - Bond Expense Account	1,203	1,300
1999 Dedicated Tax Revenue Bonds Junior Debt Service Reserve Fund	15,098,978	12,830,020
1996A Tax Revenue Bonds - Principal Account	17,903	-
1999 Junior Dedicated Tax Revenue Bonds - Principal Account	13,476	9
1999 Junior Dedicated Tax Revenue Bonds - Bond Expense account	1,203	1,300
1996A Tax Revenue Bonds - Surplus Account	6,717	9
2003A Senior Dedicated Tax Revenue Bonds - Bond Expense	1,203	1,300
2016 Appropriation Revenue Bonds - Interest Account	1,740,470	1,852,220
2016 Appropriation Revenue Bonds - Admin Expenses Account	93,331	8,289
2016 Appropriation Revenue Bonds - Principal Account	12,844	12,844
2016A Senior Dedicated Tax Revenue Bonds - Principal Account	3	3
2016A Senior Dedicated Tax Revenue Bonds - Bond Expense Account	1,203	1,300
2016B Junior Dedicated Tax Revenue Bonds - Bond Expense Account	13,100	1,300
2016B Junior Dedicated Tax Revenue Bonds - Interest Account	2,395	-
2016B Junior Dedicated Tax Revenue Bonds - Principal Account	363	-
2016B Junior Dedicated Tax Revenue Bonds - Taxable Reserve Account	3,258,464	3,215,002
2020A Senior Dedicated Tax Revenue Bonds - Interest Account	1,098	-
2020A Senior Dedicated Tax Revenue Bonds - Principal Account	28,500	4,575
2020A Senior Dedicated Tax Revenue Bonds - Construction Account	-	2,459,149
2020A Senior Dedicated Tax Revenue Bonds - Taxable Capitalized Interest Account	4,263	1,021,598
2020A Senior Dedicated Tax Revenue Bonds - Bond Expense Account	1,203	700
2020B Junior Dedicated Tax Revenue Bonds - Interest Account	7,355	-
2020B Junior Dedicated Tax Revenue Bonds - Principal Account	6,569	6,506
2020B Junior Dedicated Tax Revenue Bonds - Taxable Capitalized Interest Account	10,207	2,446,246
2020B Junior Dedicated Tax Revenue Bonds - Debt service reserve account	1,705,181	1,693,475
2020B Junior Dedicated Tax Revenue Bonds - Bond Expense Account	1,203	700
2020C Senior Dedicated Tax Revenue Bonds - Construction Account	96,084,577	127,631,817
2020C Senior Dedicated Tax Revenue Bonds - Bond Expense Account	1,203	100
2020D Junior Dedicated Tax Revenue Bonds - Construction Account	207,361,081	270,408,589
2020D Junior Dedicated Tax Revenue Bonds - Bond Expense Account	1,203	100
2021A Junior Dedicated Tax Revenue Bonds - Interest Account	24,433	-
2021A Junior Dedicated Tax Revenue Bonds - Principal Account	2,250	-
2021A Junior Dedicated Tax Revenue Bonds - Taxable COI Account	-	29,318
2021A Junior Dedicated Tax Revenue Bonds - Debt service reserve account	2,358,423	2,360,016
2022A Junior Dedicated Tax Revenue Bonds - Principal Account	1,942	-
2022A Junior Dedicated Tax Revenue Bonds - Construction Account	26,743,594	-
2022A Junior Dedicated Tax Revenue Bonds - Debt service reserve account	2,256,814	-
	<u>\$ 383,117,133</u>	<u>\$ 454,932,013</u>

Pursuant to the terms of the General Resolution for the 1996 Series A and Series B bonds, the 2016 Series A and B bonds, the 2020 Series A, B, C and D bonds, the 2021 Series A bonds and 2022 Series A 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.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### **1999 Tax Revenue Bonds Junior Debt Service Reserve Fund**

An initial deposit to the Junior Debt Service Reserve Fund was made by the bond trustee from the proceeds of each series of Junior Bonds in an amount sufficient to satisfy the Junior Debt Service Reserve Fund requirement. If on any payment date the amount on deposit in the Junior Debt Service Reserve Fund is less than the requirement, the bond trustee is to promptly notify the District and withdraw from other funds in the following order: (a) the 1996A Tax Revenue Bonds Fund Restricted Tax Revenue Account; (b) the 1996A Tax Revenue Fund Unrestricted Tax Revenue for the amount of the deficiency.

### **1996A Tax Revenue Bonds - Restricted Tax Revenue 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.

### **1996A Tax Revenue Bonds - Unrestricted Tax Revenue Account**

Tax revenue that is unrestricted are deposited into this account, including the Additional Room Tax.

### **1999 Junior Dedicated Tax Revenue Interest Account**

A semi-annual transfer is made from the 1996A Tax Revenue Bonds – Restricted Tax Revenue Account into this account for the semi-annual interest payment on the 1999 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 1999 Bonds.

### **1996A Tax Revenue Bonds - Capital Maintenance**

This account was established to fund capital maintenance requirements.

### **1996A Tax Revenue Bonds - Operating Reserve Account**

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

### **1996A Tax Revenue 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 1996A Bonds.

### **1996A Tax Revenue Bonds - Principal Account**

Amounts deposited into the Principal Account are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the 1996A Tax Revenue Bonds Restricted Tax Revenue Account.

### **1999 Junior Dedicated Tax Revenue Bonds - Principal Account**

Amounts deposited into the Principal Accounts are for making principal payments on the indicated Bond series. The accounts are funded by transfer from the 1996A Tax Revenue Bonds 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 annual appropriations made by the State of Wisconsin.



## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### **2016 Appropriation Revenue Bonds - Interest Account**

This account was established and required by the 2016 bond issuance. Amounts deposited into the Interest Accounts are for making interest payments on the indicated Bond series. The accounts are funded by annual appropriations made by the State of Wisconsin.

### **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.

### **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 1996A Tax Revenue Bonds Restricted Tax Revenue Account.

### **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.

### **2020A Senior Dedicated Tax Revenue Bonds - Principal Account**

This account was established and required by the 2020 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 1996A Tax Revenue Bonds Restricted Tax Revenue Account.

### **2020A Senior Dedicated Tax Revenue Bonds - Construction Account**

This account was established and required by the 2020 bond issuance. These are funds utilized for capital maintenance projects that are part of, or were previously a part of, the District's annual capital maintenance budget or which are or were otherwise approved by the Board of Directors for the expansion of the existing exposition center of the District.

### **2020A Senior Dedicated Tax Revenue Bonds - Taxable Capitalized Interest Account**

This account was established and required by the 2020 bond issuance. These are funds utilized to make interest payments on the 2020A Bonds through December 15, 2022.

### **2020B Junior Dedicated Tax Revenue Bonds - Principal Account**

This account was established and required by the 2020 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.

### **2020B Junior Dedicated Tax Revenue Bonds - Taxable Capitalized Interest Account**

This account was established and required by the 2020 bond issuance. These are funds utilized to make interest payments on the 2020B Bonds through December 15, 2022.

### **2020A Senior Dedicated Tax Revenue Bonds - Interest Account**

A semi-annual transfer is made from the Capitalized Interest Account into this account for the semi-annual interest payment on the 2020A 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 Capitalized Interest Account. On each interest payment date, the trustee withdraws from this account an amount sufficient to pay the interest coming due on the 2020A Bonds.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### **2020B Junior Dedicated Tax Revenue Bonds - Debt Service Account**

This account was established and required by the 2020 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 1996A Tax Revenue Bonds Restricted Tax Revenue Account.

### **2020B Junior Dedicated Tax Revenue Bonds - Interest Account**

A semi-annual transfer is made from the Capitalized Interest Account into this account for the semi-annual interest payment on the 2020B 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 Capitalized Interest Account. On each interest payment date, the trustee withdraws from this account an amount sufficient to pay the interest coming due on the 2020B Bonds.

### **2020C Senior Dedicated Tax Revenue Bonds - Construction Account**

This account was established and required by the 2020 bond issuance. These are funds utilized for the expansion of the existing exposition center of the District.

### **2020D Junior Dedicated Tax Revenue Bonds - Construction Account**

This account was established and required by the 2020D bond issuance. These are funds utilized for the expansion of the existing exposition center of the District.

### **2021A Junior Dedicated Tax Revenue Bonds - Interest Account**

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 Capitalized Interest Account. On each interest payment date, the trustee withdraws from this account an amount sufficient to pay the interest coming due on the 2021A Bonds.

### **2021A Junior Dedicated Tax Revenue Bonds - Principal Account**

This account was established and required by the 2021 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 1996A Tax Revenue Bonds Restricted Tax Revenue Account.

### **2021A Junior Dedicated Tax Revenue Bonds – Debt Service Reserve Account**

This account was established and required by the 2021 bond issuance. These are funds utilized to make debt payments in the instance sufficient cash flows do not exist. There is a defined fund balance that are required to be held in the account.

### **2022A Junior Dedicated Tax Revenue Bonds - Interest Account**

A semi-annual transfer is made from the Capitalized Interest Account into this account for the semi-annual interest payment on the 2022A 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 Capitalized Interest Account. On each interest payment date, the trustee withdraws from this account an amount sufficient to pay the interest coming due on the 2022A Bonds.

### **2022A Junior Dedicated Tax Revenue Bonds - Principal Account**

This account was established and required by the 2022 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 1996A Tax Revenue Bonds Restricted Tax Revenue Account.

## **Wisconsin Center District**

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Notes to Financial Statements  
December 31, 2022 and 2021

### **2022A Junior Dedicated Tax Revenue Bonds - Construction Account**

This account was established and required by the 2022 bond issuance. These are funds utilized for the expansion of the existing exposition center of the District.

### **2022A Junior Dedicated Tax Revenue Bonds - Debt Service Reserve Account**

This account was established and required by the 2022 bond issuance. These are funds utilized to make debt payments in the instance sufficient cash flows do not exist. There is a defined fund balance that are required to be held in the account.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### 6. Capital Assets

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	2022			
	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
Capital assets not being depreciated:				
Land	\$ 25,458,953	\$ -	\$ -	\$ 25,458,953
Construction in progress	31,330,920	132,654,279	117,201	163,867,998
Total capital assets not being depreciated	56,789,873	132,654,279	117,201	189,326,951
Capital assets being depreciated:				
Buildings and improvements	677,360,440	1,571,138	595,177	678,336,401
Furniture, machinery and equipment	15,946,766	856,575	1,258,353	15,544,988
Total capital assets being depreciated	693,307,206	2,427,713	1,853,530	693,881,389
Less accumulated depreciation for:				
Buildings and improvements	205,203,243	17,778,379	507,775	222,473,847
Furniture, machinery and equipment	12,048,345	900,413	1,280,897	11,667,861
Total accumulated depreciation	217,251,588	18,678,792	1,788,672	234,141,708
Total capital assets being depreciated, net	476,055,618	(16,251,079)	64,858	459,739,681
Total capital assets, net	\$ 532,845,491	\$ 116,403,200	\$ 182,059	\$ 649,066,632

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

	2021			Balance December 31, 2021
	Balance January 1, 2021	Additions	Deletions	
Capital assets not being depreciated:				
Land	\$ 25,458,953	\$ -	\$ -	\$ 25,458,953
Construction in progress	2,568,332	28,778,138	15,550	31,330,920
Total capital assets not being depreciated	28,027,285	28,778,138	15,550	56,789,873
Capital assets being depreciated:				
Buildings and improvements	676,928,286	432,154	-	677,360,440
Furniture, machinery and equipment	15,742,332	204,732	298	15,946,766
Total capital assets being depreciated	692,670,618	636,886	298	693,307,206
Less accumulated depreciation for:				
Buildings and improvements	187,380,402	17,822,841	-	205,203,243
Furniture, machinery and equipment	11,099,115	949,230	-	12,048,345
Total accumulated depreciation	198,479,517	18,772,071	-	217,251,588
Total capital assets being depreciated, net	494,191,101	(18,135,185)	298	476,055,618
Total capital assets, net	\$ 522,218,386	\$ 10,642,953	\$ 15,848	\$ 532,845,491

### 7. Concession Improvements Deposits

The District renewed a contract with Levy effective July 1, 2018 through June 30, 2023. Under this renewed contract, the District pays a flat annual fee of \$165,000 per year. Levy retains a variable incentive fee equal to 3% of gross revenues for the duration of the renewed contract. In August 2022, the District renewed this contract which will be effective July 1, 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. Upon renewal of this contract in August 2022, Levy deposited \$5,000,000 to the District. The unamortized balance will be recognized as revenue on a monthly basis over an 84 month amortization period beginning July 1, 2023 and ending June 30, 2030. A minimum of \$100,000 of this deposit is to be used to upgrade concession stands. As of December 31, 2022 and 2021, the District has \$5,100,000 and \$299,986 remaining on deposit, respectively.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

### 8. 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.

In February 1999, the District issued \$125,775,000 in Junior Dedicated Tax Revenue Refunding Bonds, Series 1999 (1999 Junior Bonds). The 1999 Junior Bonds were issued in order to 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 \$275,524 and \$394,731 at December 31, 2022 and 2021, respectively.

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

In 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 \$109,912 and \$153,876 at December 31, 2022 and 2021, respectively.

## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

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 were 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. Of the total par value of the 2016 Senior Bonds, \$3 million was issued as current interest 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 stated 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.

The remaining par value of 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 were 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 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 Junior Bonds were 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.

In June 2020, the District issued \$22,835,000 Senior Dedicated Tax Revenue Bonds, Series 2020A. The proceeds from the sale of the Series 2020A Senior Bonds were used for the purpose of refunding the 1996A Senior 2020 bond maturity, funding certain preliminary costs associated with the exposition center expansion and costs associated with capital maintenance, funding the Senior Debt Service Reserve Fund for the Series 2020A bonds, to pay costs of issuance of the Series 2020A bonds, and to pay capitalized interest on the Series 2020A bonds. The bonds mature on December 15 of each year commencing 2033 through 2047. The bonds carry an interest rate of 4.473%. Interest on the bonds is payable semi-annually on June 15 and December 15.

In June 2020, the District issued \$58,610,000 Junior Dedicated Tax Revenue Bonds, Series 2020B. The proceeds from the sale of the 2020 Junior Bonds were used for the purpose of refunding a portion of the 1999 Junior bond issue, funding a Section 229.50 Account of the Junior Debt Service Reserve Fund, to pay costs of issuance of the Series 2020B bonds, and to pay capitalized interest on the Series 2020B bonds. The bonds mature on December 15 of each year commencing 2047 through 2050. The bonds carry an interest rate of 4.173%. Interest on the bonds is payable semi-annually on June 15 and December 15.



## Wisconsin Center District

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Notes to Financial Statements  
December 31, 2022 and 2021

The Series 2020A and 2020B bonds are insured by Assured Guaranty Municipal Corp. and are subject to optional redemption and mandatory sinking fund redemption. The 2020 Series A and B 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 2020 Series A and B Bonds.

In December 2020, the District issued \$299,999,745 Junior Dedicated Tax Revenue Bonds, Series 2020D. The proceeds from the sale of the Series 2020D Junior Bonds will be used for the purpose of funding the development and construction of the exposition center expansion, funding a Section 229.50 Account of the Junior Debt Service Reserve Fund for the Series 2020D Junior Bonds, and to pay costs of issuance of the Series 2020D bonds.

The Series 2020D Junior Bonds are capital appreciation bonds and bear interest compounded semi-annually on each June 15 and December 15 at approximate yields ranging from 2.290% to 4.060%. Installments of the bonds mature on December 15 of each year beginning in 2027 through 2060. Interest on each installment is payable only at maturity. The bonds are insured by Assured Guaranty Municipal Corp.

In December 2020, the District issued \$144,415,426 Senior Dedicated Tax Revenue Bonds, Series 2020C. The proceeds from the sale of the Series 2020C Senior Bonds will be used for the purpose of funding the development and construction of the exposition center expansion, funding the Senior Debt Service Reserve Fund for the Series 2020C Senior Bonds, and to pay costs of issuance of the Series 2020C bonds.

The Series 2020C Senior Bonds are capital appreciation bonds and bear interest compounded semi-annually on each June 15 and December 15 at approximate yields ranging from 2.420% to 4.010%. Installments of the bonds mature on December 15 of each year beginning in 2028 through 2060. Interest on each installment is payable only at maturity. The bonds are insured by Assured Guaranty Municipal Corp.

In November 2021, the District issued \$23,600,000 Junior Dedicated Tax Revenue Refunding Bonds, Series 2021A. The proceeds from the sale of the Series 2021A Bonds will be used for the purpose of advance refunding the District's outstanding Junior Dedicated Tax Revenue Refunding Bonds, Series 2013A, dated March 13, 2013; funding a Series Reserve Account for the Series 2021A Bonds; and paying costs of issuance. The Series 2021A Junior Bonds are special, limited obligations of the District payable from and secured by a pledge of tax revenues. The interest rates range from .969% to 2.845%. The bonds mature on December 15, of each year commencing 2022 through 2032.

In September 2022, the District issued \$31,175,000 Junior Dedicated Tax Revenue Bonds, Series 2022A. The proceeds of the sale for the Series 2022A Bonds will be used for the purpose of financing the planning, developing, programming, designing and construction of an expansion and renovation to the existing Wisconsin Center; funding a Series Reserve Account for the Series 2022A Bonds; and paying costs of issuance. The interest rates range from 3.03% to 5.50%. The bonds mature on December 15, 2022 and December 15, 2061.



## Wisconsin Center District

Notes to Financial Statements  
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Outstanding long-term debt for the years ended December 31, 2022 and 2021 consist of the following:

	2022				
	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Senior Tax Revenue Bonds, Series 1996A	\$ 8,319,678	\$ -	\$ 1,592,110	\$ 6,727,568	\$ 1,503,606
Accrued interest	28,295,495	2,135,513	5,807,890	24,623,118	5,503,161
	<u>36,615,173</u>	<u>2,135,513</u>	<u>7,400,000</u>	<u>31,350,686</u>	<u>7,006,767</u>
Senior Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accrued interest	14,261,146	1,286,079	-	15,547,225	-
	<u>22,066,038</u>	<u>1,286,079</u>	<u>-</u>	<u>23,352,117</u>	<u>-</u>
Senior Tax Revenue Bonds, Series 2016A	51,257,238	-	-	51,257,238	-
Accrued interest	11,672,366	2,381,751	-	14,054,117	-
	<u>62,929,604</u>	<u>2,381,751</u>	<u>-</u>	<u>65,311,355</u>	<u>-</u>
Junior Tax Revenue Refunding Bonds, Series 1999	53,145,000	-	5,570,000	47,575,000	6,145,000
Junior Tax Revenue Refunding Bonds, Series 2016B	37,765,000	-	150,000	37,615,000	150,000
2016 Appropriation Bonds	84,805,000	-	4,470,000	80,335,000	4,685,000
Senior Revenue Refunding Bonds, Series 2020A	22,835,000	-	-	22,835,000	-
Junior Tax Revenue Refunding Bonds, Series 2020B	58,610,000	-	-	58,610,000	-
Senior Tax Revenue Refunding Bonds, Series 2020C	144,415,426	-	-	144,415,426	-
Accrued Interest	5,121,988	5,076,283	-	10,198,271	-
	<u>149,537,414</u>	<u>5,076,283</u>	<u>-</u>	<u>154,613,697</u>	<u>-</u>
Junior Tax Revenue Refunding Bonds, Series 2020D	299,999,745	-	-	299,999,745	-
Accrued Interest	11,842,351	11,808,269	-	23,650,620	-
	<u>311,842,096</u>	<u>11,808,269</u>	<u>-</u>	<u>323,650,365</u>	<u>-</u>
Junior Tax Revenue Refunding Bonds, Series 2021A	23,600,000	-	930,000	22,670,000	995,000
Junior Tax Revenue Bonds, Series 2022A	-	31,175,000	7,780,000	23,395,000	-
Premiums	8,614,559	-	1,275,966	7,338,593	-
Discounts	-	(901,593)	-	(901,593)	-
Total	<u>\$ 872,364,884</u>	<u>\$ 52,961,302</u>	<u>\$ 27,575,966</u>	<u>\$ 897,750,220</u>	<u>\$ 18,981,767</u>

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

	2021				
	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021	Due Within One Year
Senior Tax Revenue Bonds, Series 1996A	\$ 10,005,472	\$ -	\$ 1,685,794	\$ 8,319,678	\$ 1,592,110
Accrued interest	32,183,042	1,826,659	5,714,206	28,295,495	5,414,650
	<u>42,188,514</u>	<u>1,826,659</u>	<u>7,400,000</u>	<u>36,615,173</u>	<u>7,006,760</u>
Senior Tax Revenue Refunding Bonds, Series 2003	7,804,892	-	-	7,804,892	-
Accrued interest	12,695,202	1,565,944	-	14,261,146	-
	<u>20,500,094</u>	<u>1,565,944</u>	<u>-</u>	<u>22,066,038</u>	<u>-</u>
Senior Tax Revenue Bonds, Series 2016A	51,257,238	-	-	51,257,238	-
Accrued interest	10,903,810	768,556	-	11,672,366	-
	<u>62,161,048</u>	<u>768,556</u>	<u>-</u>	<u>62,929,604</u>	<u>-</u>
Junior Tax Revenue Refunding Bonds, Series 1999	53,145,000	-	-	53,145,000	5,570,000
Junior Tax Revenue Refunding Bonds, Series 2016B	37,915,000	-	150,000	37,765,000	150,000
Junior Tax Revenue Refunding Bonds, Series 2013A	23,050,000	-	23,050,000	-	-
2016 Appropriation Bonds	89,080,000	-	4,275,000	84,805,000	4,470,000
Senior Revenue Refunding Bonds, Series 2020A	22,835,000	-	-	22,835,000	-
Junior Tax Revenue Refunding Bonds, Series 2020B	58,610,000	-	-	58,610,000	-
Senior Tax Revenue Refunding Bonds, Series 2020C	144,415,426	-	-	144,415,426	-
Accrued Interest	200,564	4,921,424	-	5,121,988	-
	<u>144,615,990</u>	<u>4,921,424</u>	<u>-</u>	<u>149,537,414</u>	<u>-</u>
Junior Tax Revenue Refunding Bonds, Series 2020D	299,999,745	-	-	299,999,745	-
Accrued Interest	355,147	11,487,204	-	11,842,351	-
	<u>300,354,892</u>	<u>11,487,204</u>	<u>-</u>	<u>311,842,096</u>	<u>-</u>
Junior Tax Revenue Refunding Bonds, Series 2021A	-	23,600,000	-	23,600,000	930,000
Premiums	10,885,838	-	2,271,279	8,614,559	-
Total	<u>\$ 865,341,376</u>	<u>\$ 44,169,787</u>	<u>\$ 37,146,279</u>	<u>\$ 872,364,884</u>	<u>\$ 18,126,760</u>

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

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

Aggregate maturities for the bonds for years subsequent to December 31, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending December 31:			
2023	\$ 13,478,606	\$ 18,760,224	\$ 32,238,830
2024	15,720,060	18,296,908	34,016,968
2025	17,621,102	17,724,870	35,345,972
2026	18,756,584	16,993,307	35,749,891
2027	20,933,494	16,433,646	37,367,140
2028-2032	114,298,195	87,697,515	201,995,710
2033-2037	122,245,055	92,263,842	214,508,897
2038-2042	101,524,930	119,287,660	220,812,590
2043-2047	109,743,268	145,796,872	255,540,140
2048-2052	120,975,951	175,210,971	296,186,922
2053-2057	82,613,046	252,818,981	335,432,027
2058-2061	65,329,577	163,359,743	228,689,320
Total	803,239,868	<u>\$ 1,124,644,539</u>	<u>\$ 1,927,884,407</u>
Plus unamortized premium	7,338,593		
Less unamortized discount	(901,593)		
Plus accrued interest	88,073,352		
	<u>\$ 897,750,220</u>		

The District has pledged future tax revenues, net of specified operating expenses, to repay revenue bonds issued in 1996 through 2022. 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 2061. Annual principal and interest payments on the bonds are expected to require 70% and 88% as of December 31, 2022 and 2021, respectively, of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,927,884,407 and \$1,815,681,878 as of December 31, 2022 and 2021, respectively. Principal and interest paid for the current year and total net customer revenues were \$35,396,853 and \$26,439,529 and \$25,102,300 and \$14,665,053 as of December 31, 2022 and 2021, respectively.

The District's outstanding long-term debt contains provisions that in an event of default, outstanding amounts become immediately due and payable.

### Current Refunding

On November 10, 2021, the District issued \$23,600,000 in tax revenue bonds with an average coupon rate of 2.59% of which \$23,050,000 was used to refund \$23,050,000 of outstanding tax revenue bonds with an average coupon rate of 4.89%.

The cash flow requirements of the refunded debt prior to the current refunding was \$32,238,006 from 2021 through 2032. The cash flow requirements of the 2021A Tax Revenue Bonds is \$28,331,340 from 2022 through 2032. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,738,477.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### 9. Net Position

Net position reported on the statement of net position at December 31, 2022 and 2021, includes the following:

	<u>2022</u>	<u>2021</u>
Net investment in capital assets:		
Land	\$ 25,458,953	\$ 25,458,953
Construction in progress	163,867,998	31,330,920
Other capital assets, net of accumulated depreciation	459,739,681	476,055,618
Less long-term debt outstanding net of unspent bond proceeds and noncapital items	(415,597,608)	(338,605,429)
Less capital related accounts payable	<u>(42,201,970)</u>	<u>(6,836,364)</u>
Total net investment in capital assets	<u>\$ 191,267,054</u>	<u>\$ 187,403,698</u>
Restricted for debt service	<u>\$ 49,182,393</u>	<u>\$ 50,723,260</u>

### 10. 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 nonrepresented 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, 2022 and 2021, was \$336,349 and \$478,229, respectively, equal to the required contributions on behalf of the plan members for each year.

At December 31, 2022, the District reported a liability of \$1,691,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2020 rolled forward to December 31, 2021. 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, 2021, the District's proportion was 0.37608660% which was a decrease of 0.14807770% from its proportion measured as of December 31, 2020.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

At December 31, 2021, the District reported a liability of \$5,727,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the District's proportion was 0.52416430% which was an increase of 0.05136930% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2022 and 2021, the District recognized pension (revenue) expense of \$(12,419) and \$1,817,882, respectively.

At December 31, 2022, the District reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 204,000	\$ 1,000
Changes in assumptions	4,000	-
Net differences between projected and actual earnings on pension plan investments	-	2,468,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	465,000	1,162,000
Employer contributions subsequent to the measurement date	435,695	-
	<u>\$ 1,108,695</u>	<u>\$ 3,631,000</u>
Total		

\$435,695 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>Deferred Outflow of Resources and Deferred Inflow of Resources (Net)</b>
Years ending December 31:	
2023	\$ (424,173)
2024	(1,156,289)
2025	(689,116)
2026	(688,422)

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

At December 31, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 501,000	\$ 121,000
Changes in assumptions	628,000	-
Net differences between projected and actual earnings on pension plan investments	-	863,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	747,000	45,000
Employer contributions subsequent to the measurement date	327,138	-
	<u>\$ 2,203,138</u>	<u>\$ 1,029,000</u>
Total		

\$327,138 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>Deferred Outflow of Resources and Deferred Inflow of Resources (Net)</b>
Years ending December 31:	
2022	\$ 2,186,459
2023	1,614,958
2024	(2,929,975)
2025	(24,442)

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### Actuarial Assumptions

The last actuarial valuation was performed as of January 1, 2021, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2021 and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Actual valuation date	January 1, 2021	January 1, 2020
Measurement date of net pension liability	December 31, 2021	December 31, 2020
Actual cost method	Entry age normal-level percentage of pay	Entry age normal-level percentage of pay
Amortization	Level percent of payroll, closed	Level percent of payroll, closed
Asset valuation method	5-year smoothing of differences between expected return on actuarial value and actual return on market value	5-year smoothing of differences between expected return on actuarial value and actual return on market value
Actuarial assumptions: Investment rate of return and discount rate	7.5%	7.5% per annum, compounded annually
Projected salary increases	General City 2.5% - 5.5% Police & Fire: 4.0% - 13.4%	General City 2.5% - 5.5% Police & Fire: 4.0% - 13.4%
Inflation assumption	2.5%	2.5%
Cost of living adjustments	Vary by employee group and decrement type see plan provisions)	Vary by employee group and decrement type see plan provisions)
Mortality Table	Pre-retirement mortality rates were based on the RP-2014 Healthy Nonannuitant Mortality Table, projected generationally with Scale MP- 2016. Post-retirement mortality rates are based on 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. Disabled mortality rates are based on RP-2014 Disabled Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally using Scale MP-2016.	Pre-retirement mortality rates were based on the RP-2014 Healthy Nonannuitant Mortality Table, projected generationally with Scale MP- 2016. Post-retirement mortality rates are based on 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. Disabled mortality rates are based on RP-2014 Disabled Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally using Scale MP-2016.
Experience Study	The actuarial assumptions used in this valuation, other than the longterm rate of return, are based on the results of the most recent experience study covering the five-year period ending December 31, 2016. The long-term rate of return is based on analysis performed by Cavanaugh Macdonald and presented to the Board in April 2019.	The actuarial assumptions used in this valuation, other than the long-term rate of return, are based on the results of the most recent experience study covering the five-year period ending December 31, 2016. The long-term rate of return is based on analysis performed by Cavanaugh Macdonald and presented to the Board in April 2019.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### 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 for the years ended December 31, 2022 and 2021, are summarized in the following tables:

Asset Class	2022	
	Asset Allocation	Long-Term Expected Rate of Return
Public equity	44.00 %	7.30 %
Fixed income	23.00	3.10
Real estate	9.10	5.60
Real assets	3.90	4.50
Private equity	10.00	10.60
Absolute return	10.00	2.90
	<u>100.00</u>	<u>100.00</u>

  

Asset Class	2021	
	Asset Allocation	Long-Term Expected Rate of Return
Public equity	43.00 %	7.30 %
Fixed income	26.00	3.10
Real estate	7.70	5.60
Real assets	3.30	4.50
Private equity	10.00	10.60
Absolute return	10.00	2.90
	<u>100.00</u>	<u>100.00</u>

### Discount Rate

The discount rate used to measure the total pension liability for the years ended December 31, 2022 and 2021 was 7.50%. 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 7.50% for the year ended December 31, 2021 and 7.50% for the year ended December 31, 2020, 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.



## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### Sensitivity of the District's Proportionate Share of the Net Pension Liability (asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) as of allocation for the years ended December 31, 2022 and 2021, calculated using the discount rate percent as well as what the district's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.5%), respectively, than the current rate (in thousands):

	2022		
	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 4,760,000	\$ 1,691,000	\$ (860,000)

  

	2021		
	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 9,940,000	\$ 5,727,000	\$ 2,225,000

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>.

## 11. 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.

## Wisconsin Center District

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Notes to Financial Statements  
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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, 2022, the District had 11 active members and 8 inactive plan members or beneficiaries currently receiving benefits. At December 31, 2021, the District had 15 active members and 11 inactive plan members or beneficiaries currently receiving benefits.

The District's total OPEB liability of \$2,922,129 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2022. The District's total OPEB liability of \$5,468,637 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021.

## Wisconsin Center District

Notes to Financial Statements  
December 31, 2022 and 2021

### Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2022	2021
Inflation	2.50%	2.50%
Salary Increases	For general employees, salary increase rates start at 5.5% at age 20 and decrease steadily to 2.5% at age 45.	For general employees, salary increase rates start at 5.5% at age 20 and decrease steadily to 2.5% at age 45.
Healthcare cost trend rates	Pre-Medicare trend rates are 4.0% for 2022, 7.0% for 2023 and grade down in 0.25% increments to an ultimate trend rate of 4.25% in 2034. Post-Medicare trend rates are 6.0% for 2022, 8.0% for 2023 and grade down in 0.25% increments to an ultimate trend rate of 4.25% in 2038.	Pre-Medicare trend rates are 4.0% for 2022, 7.0% for 2023 and grade down in 0.25% increments to an ultimate trend rate of 4.25% in 2034. Post-Medicare trend rates are 6.0% for 2022, 8.0% for 2023 and grade down in 0.25% increments to an ultimate trend rate of 4.25% in 2038.
Retirees' share of benefit related costs	45% of projected health insurance premiums for retirees.	45% of projected health insurance premiums for retirees.
Mortality	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) (base year 2006) 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) (base year 2006) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Nonannuitant Mortality Table (base year 2006) projected generationally with Scale MP-2016.	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) (base year 2006) 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) (base year 2006) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Nonannuitant Mortality Table (base year 2006) projected generationally with Scale MP-2016.

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

## Wisconsin Center District

Notes to Financial Statements  
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### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>	
	<b>2022</b>	<b>2021</b>
<b>Balance, Beginning</b>	\$ 5,468,637	\$ 5,448,516
Changes for the year:		
Service cost	160,172	212,786
Interest on the Total OPEB liability	74,115	103,487
Difference between expected and actual experience	(3,006)	(81,583)
Difference due to change in proration percentage	(1,472,325)	52,014
Changes in assumptions	(1,211,938)	(132,235)
Benefit payments	(93,526)	(134,348)
Net changes	(2,546,508)	20,121
<b>Balance, Ending</b>	<b>\$ 2,922,129</b>	<b>\$ 5,468,637</b>

Changes of assumptions and other inputs reflect a change in the discount rate from 1.84% in 2021 to 4.05% in 2022. Changes of assumptions and other inputs reflect a change in the discount rate from 2.0% in 2020 to 1.84% in 2021 and a change in the healthcare cost trend rates.

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District for the years ended December 31, 2022 and 2021, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>2022</b>		
	<b>1% Decrease (3.05%)</b>	<b>Current Discount (4.05%)</b>	<b>1% Increase (5.05%)</b>
Total OPEB liability	\$ 3,393,113	\$ 2,922,129	\$ 2,545,199
	<b>2021</b>		
	<b>1% Decrease (0.84%)</b>	<b>Current Discount (1.84%)</b>	<b>1% Increase (2.84%)</b>
Total OPEB liability	\$ 6,542,419	\$ 5,468,637	\$ 4,633,218

## Wisconsin Center District

Notes to Financial Statements  
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### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District for the years ended December 31, 2022 and 2021, 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 or 1-percentage-point higher than the current healthcare cost trend rates:

	2022		
	1% Decrease	Current Healthcare Cost Assumption	1% Increase
Total OPEB liability	\$ 2,529,170	\$ 2,922,129	\$ 3,421,973

  

	2021		
	1% Decrease	Current Healthcare Cost Assumption	1% Increase
Total OPEB liability	\$ 4,653,861	\$ 5,468,637	\$ 6,534,957

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2022 and 2021, the District recognized OPEB expenses of \$40,099 and \$545,859, respectively.

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual noninvestment experience	\$ -	\$ 131,589
Difference in proration percentages	332,182	1,240,144
Changes in assumptions or other inputs	594,253	1,164,306
Total	\$ 926,435	\$ 2,536,039

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

	Deferred Outflow of Resources and Deferred Inflow of Resources (Net)
Years ending December 31:	
2023	\$ (194,188)
2024	(193,133)
2025	(232,635)
2026	(415,919)
2027	(429,104)
Thereafter	(144,625)

## Wisconsin Center District

Notes to Financial Statements  
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At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual noninvestment experience	\$ -	\$ 170,772
Difference in proration percentages	443,975	-
Changes in assumptions or other inputs	802,540	192,266
Total	<u>\$ 1,246,515</u>	<u>\$ 363,038</u>

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

	<b>Deferred Outflow of Resources and Deferred Inflow of Resources (Net)</b>
Years ending December 31:	
2022	\$ 229,586
2023	229,586
2024	230,641
2025	191,139
2026	7,855
Thereafter	(5,330)

## 12. Advertising Agreements

The District has negotiated advertising agreements with several corporations for the right to advertise on the Arena's main and auxiliary scoreboards and the digital signage on the walls of the Wisconsin Center's Exhibit Halls. The original terms of these agreements require varying annual payments and have expiration dates ranging through 2024. 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 Molson Coors for advertising and naming rights in 2015, extending through 2022, and renewing through 2025.

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.

For all advertising and naming rights revenues collectively, the District recognized \$631,267 and \$500,397 in 2022 and 2021, respectively, under the advertising and naming rights agreements.

## Wisconsin Center District

Notes to Financial Statements  
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### 13. Lease Agreements

The District has entered into a 30 year lease agreement with Deer District LLC to operate the NBA 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 NBA Arena including all costs of maintenance, capital repairs, replacements, additions, renovation, remodeling, removal, alteration, improvements, insurance and taxes.

For the rights to operate the NBA Arena, the District recognized lease revenue in 2022 and 2021 in the amounts of \$321,320 and \$273,981, respectively.

Additionally, the District is paid a District Ticket Surcharge of \$2.00 for each qualified ticket issued for publicly ticketed events occurring at the NBA Arena, of which \$0.50 for each qualified ticket is paid to the State of Wisconsin. In 2022 and 2021, the District recognized District Ticket Surcharge revenue of \$2,163,156 and \$1,064,537, respectively.

The District has the following lease receivables and related unearned lease revenue as of December 31, 2022 and 2021:

Lease Receivables Description	Date of Inception	Final Maturity	Interest Rate	Balance	
				2022	2021
Deer District LLC	04/13/16	04/30/46	2.00%	\$ 26,812,022	\$ 27,133,342
PTG Live Events LLC	07/31/22	07/31/27	5.00	557,628	-
Milwaukee Admirals – Arena	03/16/16	05/31/27	2.50	379,452	465,107
Milwaukee Admirals – Office	03/16/16	05/31/27	2.50	23,706	28,261
UWM – Arena	07/01/14	06/30/24	5.00	193,050	326,150
UWM – Naming Rights	07/01/14	06/30/24	5.00	356,250	693,750
Milwaukee Wave	12/10/22	05/31/25	5.00	219,899	-
Cedar Crest Specialties Inc.	11/15/21	11/14/25	5.00	19,174	26,686
Bottling Group LLC	06/17/19	06/16/24	5.00	61,750	120,250
Molson Coors Beverage Co	11/01/15	12/31/22	5.00	-	79,000
Insite Wireless LLC	04/01/19	03/31/34	5.00	195,292	330,103
Total				<u>\$ 28,818,223</u>	<u>\$ 29,202,649</u>

As described in Note 1, the District implemented GASB 87 effective January 1, 2022 and retroactively applied the account change to the prior period presented. The impact the adoption of GASB 87 had on the December 31, 2021 amounts previously presented are as follows:

	As Previously Reported December 31, 2021	Adjustment	As Restated December 31, 2021
<b>Statement of Net Position</b>			
Assets			
Lease receivables	\$ -	\$ 1,228,527	\$ 1,228,527
Noncurrent lease receivables	-	27,974,122	27,974,122
Deferred Inflows of Resources			
Unearned lease revenue	-	29,202,649	29,202,649
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Operating Revenue			
Space rentals	3,422,704	(212,063)	3,210,641
Advertising revenue	500,397	(72,281)	428,116
Information technology revenue	543,531	(29,263)	514,268
Nonoperating income			
Interest income - leases	-	313,607	313,607

## **Wisconsin Center District**

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Notes to Financial Statements  
December 31, 2022 and 2021

### **14. 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.

### **15. 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 committed to contracts related to the expansion of the District facilities. The District has entered into a number of contracts totaling about \$430,893,000 of which about \$150,986,000 has been paid.

### **16. Subsequent Event**

The District has evaluated subsequent events through May 19, 2023 which is the date that the financial statements were approved and issued.



**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  
 Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 160,172	\$ 212,786	\$ 186,116	\$ 136,311	\$ 136,033
Interest	74,115	103,487	128,715	132,287	111,310
Differences between expected and actual experience	(3,006)	(81,583)	(17,136)	(167,725)	(496)
Difference due to change in proration percentage	(1,472,325)	52,014	321,033	338,015	-
Changes of assumptions	(1,211,938)	(132,235)	613,315	715,649	(191,208)
Benefit payments	<u>(93,526)</u>	<u>(134,348)</u>	<u>(117,474)</u>	<u>(122,566)</u>	<u>(97,779)</u>
Net Change in Total OPEB Liability	(2,546,508)	20,121	1,114,569	1,031,971	(42,140)
<b>Total OPEB Liability, Beginning</b>	<u>5,468,637</u>	<u>5,448,516</u>	<u>4,333,947</u>	<u>3,301,976</u>	<u>3,344,116</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 2,922,129</u>	<u>\$ 5,468,637</u>	<u>\$ 5,448,516</u>	<u>\$ 4,333,947</u>	<u>\$ 3,301,976</u>
<b>Covered-Employee Payroll</b>	\$ 809,644	\$ 1,067,618	\$ 1,172,117	\$ 1,134,035	1,169,486
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	360.92 %	512.23 %	464.84 %	382.17 %	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  
Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Employer Contributions</b>					
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Covered-Employee Payroll</b>	\$ 809,644	\$ 1,067,618	\$ 1,172,117	\$ 1,134,035	\$ 1,169,486
<b>Contributions as a Percentage of Covered-Employee Payroll</b>	0.00 %	0.00 %	0.00 %	0.00 %	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.*

## Wisconsin Center District

Schedule of Proportionate Share of the Net Pension Liability - City of Milwaukee Employee's Retirement System  
Year Ended December 31, 2022

ERS Fiscal Year Ending Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability 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 %
12/31/18	0.3839785 %	5,141,000	2,205,000	233.15 %	78.71 %
12/31/19	0.4727950 %	4,252,000	2,489,000	170.83 %	84.83 %
12/31/20	0.5241643 %	5,727,000	3,126,000	183.21 %	83.79 %
12/31/21	0.3760866 %	1,691,000	2,205,000	76.69 %	93.46 %

## Wisconsin Center District

Schedule of Employer Contributions - City of Milwaukee Employees' Retirement System  
Year Ended December 31, 2022

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 %
12/31/19	380,313	380,313	-	5,470,162	6.95 %
12/31/20	438,510	438,510	-	3,759,981	11.66 %
12/31/21	327,138	327,138	-	5,067,756	6.46 %
12/31/22	435,695	435,695	-	7,130,635	6.11 %

See notes to required supplementary information

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

## Wisconsin Center District

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Notes to Required Supplementary Information  
Years Ended December 31, 2022 and 2021

### 1. 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.* No significant change in assumptions were noted from the prior year.

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.

### 2. Other Post-Employment Benefits - District Retiree Benefits Plan

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.* Changes of assumptions and other inputs reflect a change in the discount rate from 1.84% in 2021 to 4.05% in 2022. Changes of assumptions and other inputs reflect a change in the discount rate from 2.0% in 2020 to 1.84% in 2021 and a change in the healthcare cost trend rates.

**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**

Independent Auditors' Report

To the Board of Directors of  
Wisconsin Center District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wisconsin Center District (the District), which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2023.

**Report on 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) as a basis for designing 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.



## **The District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 US, LLP*

Milwaukee, Wisconsin  
May 19, 2023

## Wisconsin Center District

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Schedule of Findings and Responses  
Year Ended December 31, 2022

### **Finding 2022-001: 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 process all necessary year-end journal entries and prepare the financial statements and 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.