

**HISTORIC KING DRIVE  
BUSINESS IMPROVEMENT  
DISTRICT #8**

**FINANCIAL STATEMENTS WITH  
AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2008**

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# Andrea & Orendorff LLP

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Historic King Drive Business  
Improvement District #8

We have audited the accompanying financial statements of the business-type activities of the Historic King Drive Business Improvement District #8 (District) as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Historic King Drive Business Improvement District #8's 2007 financial statements and, in our report dated September 24, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Historic King Drive Business Improvement District #8 as of December 31, 2008, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Andrea & Orendorff, LLP*

Andrea & Orendorff LLP  
Kenosha, Wisconsin  
July 8, 2009

## **HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT #8 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Historic King Drive Business Improvement District #8 (District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2008.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

### **Reporting the District as a Whole**

Our analysis of the District as a whole begins on page 8. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, the District is reported as a business-type activity. GASB No. 34, paragraph 147, permits any governmental not-for-profit that was using the AICPA model at June 30, 1999 to report as special purpose governments engaged only in business-type activities, even though they may not meet the definition of an enterprise fund. The definition of an enterprise fund is a fund that provides goods or services to the public for a fee that makes the entity self-supporting.

### **Reporting the District's Most Significant Funds**

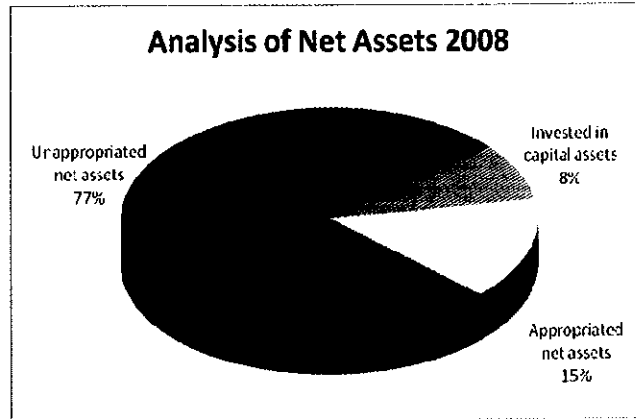
The District is being reported as a business-type activity and therefore there will be no fund financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide the detailed information about the District as a whole.

### **The District as a Whole**

The condensed financial statements on the next two pages present the net assets of the District and changes in net assets. These statements are presented with comparisons to 2007.

**HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT #8  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In 2008, the District's assets exceeded liabilities by \$120,013. The largest portion of the District's net assets reflects the category of unappropriated net assets (77%) which may be used to meet the District's ongoing obligations to its members and creditors. The appropriated portion of 15% is 2008 tax levy revenue set aside for use in operations for the subsequent year. The remaining 8% is the portion that is invested in capital assets net of accumulated depreciation.



**Historic King Drive Business Improvement District #8  
Statement of Net Assets  
As of December 31, 2008**

	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 309,410	\$ 274,973
Capital Assets	9,994	6,534
Total Assets	<u>319,404</u>	<u>281,507</u>
Other Liabilities	<u>199,391</u>	<u>185,988</u>
Total Liabilities	199,391	185,988
<b>Net Assets:</b>		
Invested in capital assets	9,994	6,534
Appropriated net assets	18,000	17,494
Unappropriated net assets	<u>92,019</u>	<u>71,491</u>
Total Net Assets	<u>\$ 120,013</u>	<u>\$ 95,519</u>

The District's total net assets increased by \$24,494 in 2008. The increase in net assets is due to several factors: an increase in levy assessment revenue, an increase in fundraising due to the District's first annual BBQ event, and the addition of the Main Street and LISC TA grants.

**HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT #8  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Historic King Drive Business Improvement District #8  
Statement of Revenues, Expenses  
and Changes in Net Assets  
Year Ended December 31, 2008**

	2008	2007
<b>Revenues</b>		
Tax Assessments - City of Milwaukee	\$ 181,548	\$ 173,863
Grants & Reimbursements	75,889	21,936
Fundraising & Special Events	18,201	9,266
Miscellaneous Income	2,259	3,861
Total Revenues	277,897	208,926
<b>Expenses</b>		
Special Events	75,214	27,080
Professional Services	97,252	94,828
Administrative	26,756	25,658
Advertising, Newsletter & Printing	15,890	15,917
Repairs & Maintenance	38,291	27,079
	253,403	190,562
Change in Net Assets	24,494	18,364
Net Assets Beginning of Year	95,519	77,155
Net Assets End of Year	\$ 120,013	\$ 95,519

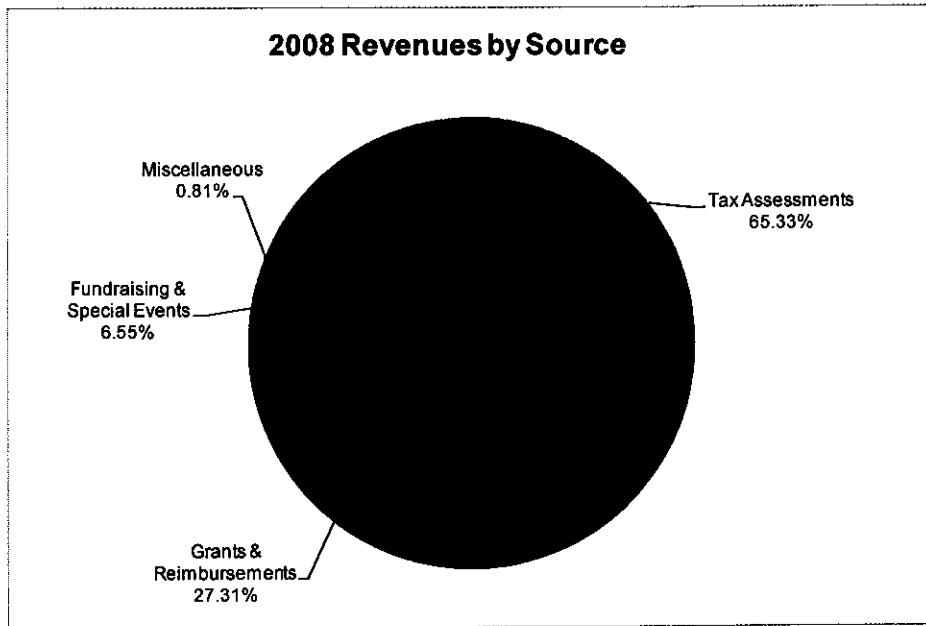
Revenues increased by \$68,971 in 2008 compared to 2007. In 2008, the levy assessment increased by \$7,685 due to additional parcels added to the district and an increase in assessed property values. Grants and reimbursements increased by \$53,953 mainly due to the addition of two grants. Fundraising also increased significantly due to the first annual BBQ event held over the 2008 Labor Day weekend.

Expenses increased by \$62,841 compared to 2007. A \$48,134 increase in special events expenses came from holding the annual BBQ event. Major expenses for the BBQ event included tent and equipment rentals, signage/banners, and prizes for the BBQ cook off contestants. The District now contracts someone full-time for street maintenance services which increased by \$11,212 compared to 2007.

**HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT #8  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

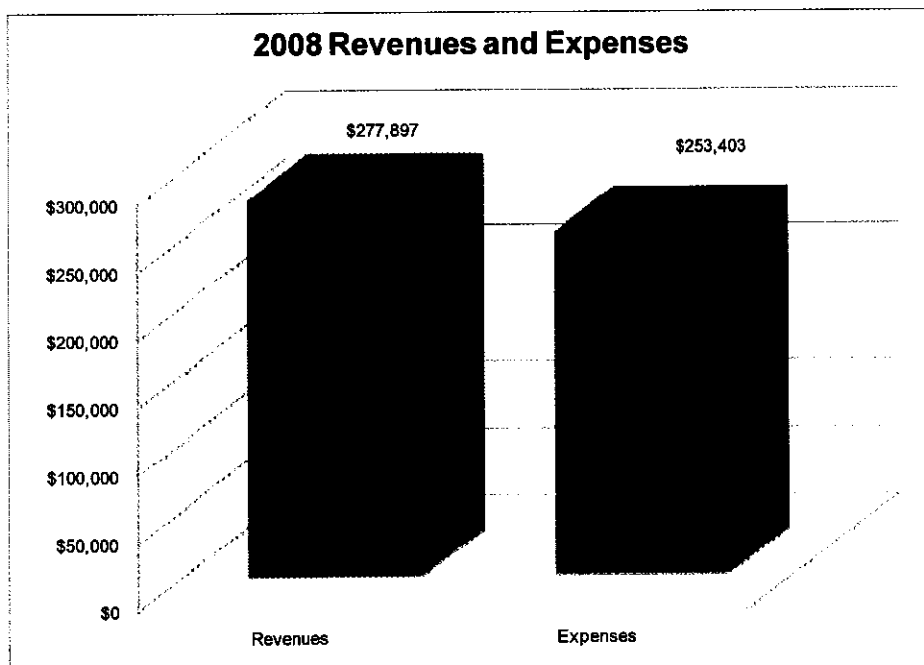
**REVENUES BY SOURCE**

This chart illustrates the percent of revenue sources that fund the District's activities:



**EXPENSES AND PROGRAM REVENUES**

The following chart shows the expenses compared to the revenues:



## HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT #8 MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The District added two new capital assets in 2008. The District purchased a gum removal machine in April and a snowblower in November.

#### Debt

The District has no outstanding debt as of December 31, 2008.

### ECONOMIC FACTORS

Since 2005, when the BID's Main Street Approach was adopted, the BID has seen the addition of 25 net new businesses and entities. In 2007 alone, more than \$70 Million in investment was made, and five new businesses were added. This dramatic growth has resulted in new challenges: namely bringing the infrastructure, events and other elements of the drive up to the high standards that commerce demands. The BID's Board, Staff, Volunteers and Partners have risen to the challenge in dramatic fashion.

#### *The Main Street Committees*

The *Organization Committee* worked hard in organizing the first Annual Brew City's Best BBQ Competition and 2008 MLK Street Jam, promoted by Harley-Davidson as part of its 105th Anniversary Celebration. More than 20 nationwide BBQ competitors, and an estimated 10,000 visitors attended. For more info, visit [www.kingdrivebid.com/bbq](http://www.kingdrivebid.com/bbq). Committee volunteers also played key roles in the other volunteer activities of the BID, including the Earth Day Clean-Up of Victory Park, the Annual BID Breakfast and several Business Mixers.

The *Economic Restructuring Committee* has turned its attention to the next Catalytic Project for the area. The Committee held a forum where over 50 neighbors, businesses and other critical players gave their input on what projects should be pursued. The Committee is also working on a parking plan to address the increased strain on the districts parking resources.

The *Design Committee*, in 2008, installed more than two dozen additional planters along the Drive. More importantly, the committee has been getting community input on its streetscape plan.

The *Marketing Committee* continues to be a major sponsor of summer events like Juneteenth Day and Garfield Ave Blues and Jazz festival. The committee also launched a new web page for the district.

The *Maintenance & Public Safety Committee* continues to provide trash clean-up and graffiti removal for the entire district. The Committee has also had several Public Safety brain storming sessions to strategize with key stakeholders on how to address all safety issues that commerce demands.



**HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT #8  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PLANNING FOR THE FUTURE**

Throughout 2008, the King Drive BID maintained its status as the district to watch. The Board of Directors for the King Drive Business Improvement District is looking forward to 2009, its seventeenth anniversary.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our members, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District at 2212 North Dr. Martin Luther King Jr. Drive, Milwaukee, WI 53212.

Teig Whaley-Smith  
Executive Director  
Historic King Drive Business Improvement District #8

**Historic King Drive Business Improvement District #8**  
**Statement of Net Assets**  
**As of December 31, 2008**  
**With Comparative Totals as of December 31, 2007**

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and Cash Equivalents	\$ 67,381	\$ 89,409
Tax Levy Receivable	188,356	181,548
Accounts Receivable	-	150
Grants Receivable	52,479	-
Prepaid Expenses	1,194	3,866
<b>Total Current Assets</b>	<u>309,410</u>	<u>274,973</u>
Noncurrent Assets:		
Machinery	30,855	22,865
Less: Accumulated Depreciation	<u>(20,861)</u>	<u>(16,331)</u>
<b>Total Fixed Assets</b>	<u>9,994</u>	<u>6,534</u>
<b>Total Assets</b>	<u><u>\$ 319,404</u></u>	<u><u>\$ 281,507</u></u>
 <b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 11,035	\$ 4,440
Deferred Tax Levy Revenue	<u>188,356</u>	<u>181,548</u>
<b>Total Current Liabilities</b>	<u>199,391</u>	<u>185,988</u>
 <b>NET ASSETS</b>		
Invested in capital assets	9,994	6,534
Unrestricted Net Assets		
Appropriated Net Assets	18,000	17,494
Unappropriated Net Assets	<u>92,019</u>	<u>71,491</u>
<b>Total Unrestricted Net Assets</b>	<u>120,013</u>	<u>95,519</u>
 <b>Total Liabilities and Net Assets</b>	<u><u>\$ 319,404</u></u>	<u><u>\$ 281,507</u></u>

**Historic King Drive Business Improvement District #8**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2008**  
**With Comparative Totals for the Year Ended December 31, 2007**

	<b>2008</b>	<b>2007</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>Totals</b>	<b>Totals</b>
	<u>          </u>	<u>          </u>
<b>OPERATING REVENUES</b>		
Tax Assessments - City of Milwaukee	\$ 181,548	\$ 173,863
City of Milwaukee Operations Grant	21,000	21,000
City of Milwaukee Graffiti Reimbursement	2,410	936
Main Street Grant	40,859	-
LISC TA Grant	11,620	-
Fundraising	18,201	7,716
Advertising Income	-	1,550
Miscellaneous Income	347	354
<b>Total Operating Revenue</b>	<u>275,985</u>	<u>205,419</u>
<b>OPERATING EXPENSES</b>		
Advertising	13,200	10,233
Depreciation	4,529	3,266
Dues & Subscriptions	799	1,217
Events Expense	75,214	27,080
Grants Awarded	-	2,628
Insurance	5,263	2,034
Meetings/Travel	2,584	3,200
Miscellaneous	138	2,520
Occupancy	8,306	7,720
Office Supplies	5,044	3,063
Personal Property Tax	93	10
Printing & Newsletter	2,690	5,684
Professional Services	97,252	94,828
Repairs & Maintenance	38,291	27,079
<b>Total Operating Expenses</b>	<u>253,403</u>	<u>190,562</u>
<b>Operating Income</b>	<u>22,582</u>	<u>14,857</u>
<b>NONOPERATING REVENUES</b>		
Interest Income	1,912	3,507
<b>Total Nonoperating Revenues</b>	<u>1,912</u>	<u>3,507</u>
<b>Change in Net Assets</b>	24,494	18,364
<b>Net Assets - Beginning of Year</b>	<u>95,519</u>	<u>77,155</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 120,013</u></u>	<u><u>\$ 95,519</u></u>

**Historic King Drive Business Improvement District #8**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from Assessments, Grants and Events	\$ 216,848
Paid to Suppliers for Goods and Services	<u>(232,798)</u>
Net Cash used by Operating Activities	<u>(15,950)</u>
 <b>CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES</b>	
Interest	1,912
Purchase of Equipment	<u>(7,990)</u>
Net Cash provided by Investing Activities	<u>(6,078)</u>
 Net Increase in Cash	 (22,028)
 Cash - Beginning of Year	 <u>89,409</u>
 Cash - End of year	 <u><u>\$ 67,381</u></u>

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH USED BY OPERATING ACTIVITIES**

Operating Income	\$ 22,582
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,529
(Increase)/Decrease in Accounts Receivable	150
(Increase)/Decrease in Grants Receivable	(52,479)
(Increase)/Decrease in Tax Levy Receivable	(6,808)
(Increase)/Decrease in Prepaid Expenses	2,673
Increase/(Decrease) in Accounts Payable	6,595
Increase/(Decrease) in Deferred Tax Levy Revenue	<u>6,808</u>
Total Adjustments	<u>(38,532)</u>
 <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	 <u><u>\$ (15,950)</u></u>

**Historic King Drive Business Improvement District #8**  
**Notes to the Financial Statements**  
**December 31, 2008**

**Note 1 - Summary of Significant Accounting Policies**

**Organization**

The Historic King Drive Business Improvement District #8 (the BID) is a city government entity established by the laws of the State of Wisconsin (Statute 66.608), as a means of formalizing and funding the public-private partnership between the City of Milwaukee and the Historic King Drive District, as well as for furthering the presentation and revitalization of the district.

The BID was established in 1994 and is largely funded for its activities by tax assessments and voluntary contributions. The BID also receives an operating grant from the City of Milwaukee.

The organization is governed by a District Board (Board) appointed by the mayor of the City of Milwaukee. The Board's primary responsibility is the implementation of the district plan.

**Basis of Accounting**

The financial statements of the BID are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

An allowance for uncollectible accounts is not established for tax assessments because the City of Milwaukee disburses the full amount assessed by the district without reference to the amount of assessments actually collected by the City by the date of disbursement.

**Basis of Presentation**

The District is reported as a business-type activity. GASB No. 34, paragraph 147, permits any governmental not-for-profit that was using the AICPA model at June 30, 1999 to report as special purpose governments engaged only in business-type activities, even though they may not meet the definition of an enterprise fund. The definition of an enterprise fund is a fund that provides goods or services to the public for a fee that makes the entity self-supporting.

The business-type activities are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned. Expenses are recorded at the time liabilities are incurred. Therefore the financial statements reflect all significant receivables, payables and other liabilities.

Financial statement presentation has elected to follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989. The business-type activities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and paying vendors in connection with the business-type activities' ongoing operations. The principal operating revenues of the District's business-type activities are a property tax levy and operating grants. Operating expenses for these business-type activities include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Historic King Drive Business Improvement District #8**  
**Notes to the Financial Statements**  
**December 31, 2008**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with the accrual basis of accounting 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.

**Tax Levy Receivable and Deferred Tax Levy Revenue**

Property tax assessments are recorded in the year levied as receivables and deferred revenue. The collection of the assessments is recorded as revenue in the following year for which these taxes have been levied as required by Generally Accepted Accounting Principles (GAAP).

**Property and Equipment**

The BID follows the practice of capitalizing all furniture and equipment in amounts over \$500. The assets are recorded at cost. Depreciation of office furniture and equipment is computed on a straight line basis over the estimated service lives of the assets. The estimated service lives of the furniture and equipment is five to seven years.

The BID purchased a gum removal machine in April 2008 at a cost of \$7,000. In November 2008 the BID purchased a snow blower at a cost of \$990. Total depreciation expense for 2008 was \$4,529.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the BID classifies cash on hand and checking accounts as well as other highly liquid debt securities with original maturities of 90 days or less, as cash equivalents.

**Advertising**

The BID expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2008 were \$13,200.

**Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Historic King Drive Business Improvement District #8**  
**Notes to the Financial Statements**  
**December 31, 2008**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Equity Classifications (continued)**

- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
  
- c. Unrestricted net assets – consist of all other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

The net assets appropriated for a specific purpose has been designated by the Board for use in operations related to the Main Street Design Committee for the following year in the amount of \$18,000. This appropriation is part of the Unrestricted Net Assets.

**Note 2 – Contracts and Leases**

The BID is managed by a contracted Executive Director and an Administrative Manager. The BID has an agreement with Community Development Advocates, LLC to provide executive director and administrative management services. The total paid for these services in 2008 was \$71,378.

The BID shares occupancy costs with two other entities: Urban Economic Development Association (UEDA) and Community Development Advocates, LLC. UEDA leases the office space and copier. General Office Costs are split between these three agencies based on the square footage they occupy. The General Office Costs include the following:

- Rental costs of the leased premises.
- All costs related to utilities, insurance, maintenance, property taxes and other operating costs of the premises.
- All communication lines, postage and offices supplies not directly traceable to the three agencies.

Total occupancy charge for the year ended December 31, 2008 is \$8,306.

**Note 3 - Contributed Services**

The BID Board members and other volunteers have donated significant amounts of their time in service to the BID. However, no amounts have been reflected in the financial statements for donated services, as there is no objective basis available to measure the value of such services.

**Historic King Drive Business Improvement District #8**  
**Notes to the Financial Statements**  
**December 31, 2008**

**Note 4 - Concentration of Credit Risk for Cash Held at Banks**

**Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the custodian holding the District's deposits, the deposits may not be returned.

The BID maintains cash balances at the bank. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There were no cash balances in excess of FDIC coverage as of December 31, 2008.

**Investments**

The District has no investments.

**Note 5 - Tax Assessments**

The Business Improvement District eligible properties are assessed in the following manner:

An unimproved parcel of land is assessed at a rate of \$4 per \$1,000 of assessed value, up to a maximum BID assessment of \$1,500. No minimum assessment is applied to unimproved parcels.

There is a \$125 minimum assessment on all BID-eligible property valued at \$10,000 or less.

For improved property valued over \$10,000, the assessment is \$125 plus \$4 per \$1,000 of assessed value for the amount over \$10,000, up to a maximum of \$1,500.

**Note 6 – Related Party Transactions**

The BID purchased printing and graphics services in the amount of \$7,593 from a business whose owner serves on the BID's Board of Directors. The BID purchased repair and maintenance goods in the amount of \$3,385 from a business whose owner also serves on the BID's Board. The costs of these services were reasonable and considered at market value.