

NEIGHBORHOOD IMPROVEMENT DISTRICT NO. 1: THE BREWERY
YEAR EIGHT OPERATING PLAN

September 24, 2015

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I. INTRODUCTION

Under Wisconsin Statutes section 66.1110, municipalities are authorized to create Neighborhood Improvement Districts ("NIDs") upon the petition of at least one property owner within the proposed district. Similar to the statute governing Business Improvement Districts (Wisconsin Statutes section 66.1109), the purpose of the NID statute is to allow owners of real property, at least some of which is used for residential purposes, within the districts ". . . to develop, to manage and promote the districts and to establish an assessment method to fund these activities." 1983 Wis. Act 184, Section 1, legislative declaration. See Appendix A.

The District was created by the Common Council of the City of Milwaukee (the "City") on May 13, 2009, by the adoption of Resolution No. 080615; the District is known as the Brewery Neighborhood Improvement District (the "District"). The purpose of the District is to promote and sustain the development and operation of the former historic Pabst Brewery as a thriving mixed use development known as The Brewery, A Joseph J. Zilber Historic Redevelopment (the "Brewery"). In this regard, the District shall be authorized to manage, maintain and contract for services which supplement those services currently provided by the City to owners and occupants in the District.

Pursuant to the NID statute, this Year Seven Operating Plan (the "Operating Plan") for the District has been prepared to establish the services proposed to be offered by the District, proposed expenditures by the District and the special assessment method applicable to properties within the District.

DISTRICT BOUNDARIES

The District boundaries cover approximately nine (9) blocks and encompass the former Pabst Brewery properties now known as "The Brewery." The proposed District boundaries include Interstate 43 to the west, West Highland Avenue to the south, North 7th Street to the east and West Winnebago Street to the north. Boundaries of the NID are shown in Appendix B of this Operating Plan. A narrative listing of the properties included in the District is set forth in Appendix C.

II. PROPOSED OPERATING PLAN

A. Plan Objectives.

The objectives of the District are to promote and sustain the area of The Brewery as a thriving mixed use development and a clean, safe and friendly

environment in which to live, work and play. The District proposes to achieve its objectives by supplementing the maintenance and security services provided by the City in order to increase the safety and cleanliness (and the perceived safety and cleanliness) of The Brewery area. Specifically, the District seeks to replicate, in the area of The Brewery, the successful programs of Milwaukee Downtown, and the District may contract with Milwaukee Downtown or similar entities to achieve such goal. The District also shall provide in the area of The Brewery maintenance and utility cost of the neon Pabst sign over Juneau Avenue, maintenance and utility cost for pocket parks, maintenance of public art, maintenance including snow removal of common areas, maintenance of streetscapes and other landscaping features as well as maintenance of storm-water management improvements including bio-swales.

B. Proposed Activities. The District will offer The Brewery owners and occupants additional safety services, enhanced day portering activities, supplemental public space maintenance, pocket park operation and maintenance, streetscape maintenance, storm-water management maintenance and integrated marketing and promotional services to complement a base level of services currently being provided by the City. As a supplement to City services, the District may employ and manage its own safety and maintenance staff and develop and implement its own marketing initiatives or contract with Milwaukee Downtown or other reputable resources to do so. The District may, from time to time and as it deems necessary, adjust the size and scope of the activities and staffing levels described below, but only so long as such adjustments in activities and staff are part of the activities identified in this or a subsequently approved or amended Operating Plan. The District may not undertake new activities except as included in duly approved operating plans for future years.

1. Public Service Ambassadors Program. The District proposes to sponsor a Public Service Ambassadors Program to provide safety and goodwill services to The Brewery, supplemental to existing City police services. The aim of the program will be to increase the public's comfort and sense of security through a visible, uniformed presence in addition to law enforcement.

The District may hire directly, or engage through a contract with Milwaukee Downtown or other reputable resources, personnel to perform the services described above, Public Service Ambassadors ("PSAs").

Following appropriate training, uniformed but unarmed PSAs will be assigned "beats" to patrol the District on foot. Beat assignments will be based on the amount of foot traffic in the area, hours of business operation, special event schedules, police beat assignments and crime statistics and trends.

PSAs' primary responsibilities will be to assist and direct residents, workers, shoppers and visitors and to observe and report suspicious behavior. PSAs must familiarize themselves with the businesses and residents in their beats and be able to recognize suspicious behavior. PSAs will be supplied with uniforms to create an official but approachable appearance and will be equipped with two-way radios or similar devices to report any incidents. The District will pursue partnerships with other service providers. These partnerships may include development of a policy for referring panhandlers and the homeless to appropriate resources and/or working with other security resources to share information and develop response strategies.

2. Clean Sweep Ambassadors Program. The District proposes to sponsor a Clean Sweep Ambassador Program to provide additional day portering services, public space maintenance, storm-water management maintenance, pocket park operation and maintenance, alley maintenance (including snow and ice removal), streetscape maintenance and, more generally, to introduce an active, positive force in the area of The Brewery.

The District may hire directly, or engage through a contract with Milwaukee Downtown or other reputable resources, personnel to perform the services described above, Clean Sweep Ambassadors ("CSAs"). The maintenance efforts of CSAs, hired, paid and uniformed or contracted for by the District will complement the efforts of the City Department of Public Works. CSAs will manually sweep sidewalks, pocket parks and other green spaces, pick up litter and remove graffiti. CSAs also will maintain pocket parks, alleys (including snow and ice removal from November through March) and maintain other green spaces as well as manage and maintain storm-water facilities within the District boundaries.

Besides their maintenance responsibilities, CSAs will maintain a friendly and helpful presence in the area of The Brewery. Working in recognizable uniforms, CSAs will create an aura, not only of cleanliness, but also of safety.

3. Marketing Initiatives. Marketing will aim to encourage increased use of The Brewery neighborhood and to convince both constituents of the District and potential users that The Brewery neighborhood is a positive destination with unique qualities and amenities.

C. Proposed Expenditures and Financing Method. The 2016 proposed annual operating budget for the District is \$135,500. See Appendix D. The Board shall have the authority and responsibility to prioritize expenditures and to revise the budget as necessary to match the funds actually available.

The Board shall approve an annual operating budget for the District each year. After the District Board has approved the annual operating plan and budget, they will be sent to the City for approval, adoption and inclusion in the City's annual budget for that year.

The 2015 assessed valuation of all property subject to assessment within the proposed District boundaries was \$64,578,900. This includes a PILOT assessment for UWM's Joseph J. Zilber School of Public Health of \$9,958,000. The method of assessing annual operating expenses against properties located within the District is set forth in Article IV of this Operating Plan. **[Any change in the method of assessing annual operating expenses against properties located within the District must be approved by a 4/5 majority of the entire District Board and a majority of the Common Council of the City.]** Subsequent revisions to this Operating Plan will specify any additional assessment methodologies and amounts for operating expenses.

D. Organization of the District Board. Upon creation of the District, the District shall hold annual meetings to elect members to the District Board (the "Board") consistent with the terms of this subsection. The Board shall be responsible for implementation of this Operating Plan. This requires the Board to negotiate with providers of services and materials to carry out the Operating Plan; to enter into various contracts; to monitor the effectiveness of the District's activities, to ensure compliance with the provisions of applicable statutes and regulations; and to make reimbursements for any overpayments of District assessments.

Wisconsin Statutes section 66.1110(4)(a)(1) requires that the Board be composed of at least five members, all of whom shall own or occupy real property within the District.

The Board shall be structured and operate as follows:

1. Board Size. Five (5) members.
2. Composition.
 - (a) One member shall represent the owner of the largest property(ies) within the District as measured by assessed valuation.
 - (b) One member shall be a representative of a multi-tenant office building in the District.
 - (c) One member shall be the owner or operator of a street-level retail business located within the District (which business may include, without limitation, a restaurant).
 - (d) One member shall be a representative of a parking structure or surface parking lot within the District including at least 100 spaces.
 - (e) One member shall be a representative of a residential building within the District.

Each year, the Board shall reconfirm the assessed valuations, ownerships and occupancies of all properties located within the District. If the assessed valuation, ownership or occupancy of any particular building or site in any year ceases to satisfy the criteria set forth above, the Board shall rearrange such building or site in the appropriate category and consistent with Wisconsin Statutes section 66.1110(4). Notwithstanding anything herein to the contrary, the number of Board members who represent commercial and residential property, respectively, shall be set, as closely as possible, in the same proportion as is the aggregate valuation of commercial property in the District to the total assessed value of all property in the District, and the aggregate valuation of residential property in the District to the total assessed value of all property in the District.

3. Term. All members elected to the Board shall serve for a period of one year, except that members may be re-elected.
4. Compensation. None.
5. Meetings. All meetings of the Board shall be governed by the Wisconsin Open Meetings Law if and as legally required.

6. Record Keeping. Files and records of the Board's affairs shall be kept pursuant to public records requirements.
7. Staffing and Office. The Board may employ staff and/or contract for staffing services pursuant to this Operating Plan and subsequent modifications thereof. The Board may also maintain an office for the District, which shall be located within the District.
8. Meetings. The Board shall meet regularly, at least once every six months. The Board shall adopt rules of order (by-laws) to govern the conduct of its meetings.
9. Method of Electing Members to District Board. An annual meeting at which members of the Board will be elected shall be held in September of each year of the District's existence. Prior to the meeting, the City shall publish a Class 2 notice that contains the time and place of the annual meeting. The notice shall specify that all individuals who either own or occupy real property within the District are eligible to serve on the Board and vote at the election.

At the meeting, the individuals who own or occupy real property within the District shall be divided in 2 groups. One group shall consist of those individuals who own or occupy commercial property, and one group shall consist of those individuals who own or occupy residential property. Each group shall elect from among its members the number of Board members set to represent its group pursuant to this or a subsequent operating plan.
10. Executive Committee. The Board shall elect from its members a chair, a secretary, and a treasurer who shall comprise an Executive Committee of the Board. The Executive Committee shall be authorized to oversee the day to day operations of the District, subject to the by-laws adopted by the Board.
11. Changes. Any change in the Board size, composition or election methodology must be approved by a 4/5 majority of the entire District Board.]

III. METHOD OF ASSESSMENT

- A. Annual Assessment Rate and Method. The annual assessment for District operating expenses will be levied against each property within the District in direct proportion to the current assessed value of each property for real

property tax purposes. Thus, the amount of a special assessment against a particular property may change from year to year if that property's assessed value changes relative to other properties within the District.

Appendix C identifies each property included in the District and shows the proposed District assessment for each property for the seventh year of operation. Such proposed assessments are based on the assessed value and classification estimated in 2014 pursuant to the foregoing formula.

B. Excluded and Exempt Property. The NID statute requires explicit consideration of certain classes of property. In compliance with the law, the following statements are provided.

1. In accordance with the interpretation of the City Attorney regarding Wisconsin Statutes section 66.1110(7)(a), property exempt from general real estate taxes has been excluded from the District unless they are subject to a PILOT Agreement which addresses this issue. Owners of tax exempt property adjoining the District and expected to benefit from District activities will be asked to make a financial contribution to the District on a voluntary basis. Funds collected in this manner in any given year shall be used to reduce the assessment against taxable property in the District for the following year. In addition, those tax exempt properties adjoining the District which are later determined no longer to be exempt from general property taxes shall automatically become included within the District and subject to assessment under any current operating plan without necessity to undertake any other act.
2. In accordance with Wisconsin Statutes section 66.1110(7)(c), real property used exclusively for less than eight (8) residential dwelling units has been excluded from the District.
3. Pursuant to State Statute (66.1110(2) (e) a previous operating plan authorized taking title to the parcel known as Zilber Park's and has the legal description of Lot 2 of CSM No. 8078, Tax Key No. 362-0502-000 and the address of 1217 N. 10th Street. The purpose of the NID No. 1's ownership is to operate and maintain an improved pocket park for the benefit of the neighborhood. If NID No. 1 is terminated this real property will be transferred to Brewery Project LLC which has agreed to assume this responsibility.

IV. PROMOTION OF ORDERLY DEVELOPMENT OF THE CITY

- A. Enhanced Safety and Cleanliness. Under Wisconsin Statutes section 66.1110(2)(d), this Operating Plan is required to specify how the creation of the District promotes the orderly development of the City. The District will enhance the safety and cleanliness of The Brewery area and, consequently, encourage positive commercial and residential activity in the City. Increased activity in the City will increase property tax base and sales tax revenues.
- B. City Role in District Operation. The City has committed to assisting owners and occupants in the District to promote its objectives. To this end, the City has played a significant role in creation of the District and in the implementation of the initial Operating Plan. In furtherance of its commitment, the City shall:
1. Provide technical assistance to the District in the adoption of this and subsequent operating plans and provide such other assistance as may be appropriate.
 2. Collect assessments, maintain the same in a segregated account and disburse monies to the Board.
 3. Receive annual audits as required per Wisconsin Statutes section 66.1110(4)(c).
 4. Provide the Board, through the Office of Assessment, on or before July 1 of each year, with the official City records on the assessed value of each tax key number within the District as of January 1 of each year for purposes of calculating the District assessments.

V. PLAN APPROVAL PROCESS

- A. Public Review Process. The NID statute establishes a specific process for electing NID Board members and annually making changes to the Operating Plan. Pursuant to the statutory requirements, the following process will be followed:
1. A time and place for an annual meeting at which members of the Board will be elected shall be set and a Class 2 notice of such meeting shall be published.

2. At the meeting, Board members shall be elected consistent with Wisconsin Statutes section 66.1110(4) and section III(D) above, and the Board shall consider the District's annual Operating Plan.
 3. The Operating Plan shall be submitted to the City's Common Council for approval.
- B. Petition to Terminate the District. The City shall consider terminating the District if a petition to terminate is filed with the City Plan Commission in conformity with Wisconsin Statutes section 66.1110(6)(a).

VI. FUTURE YEAR OPERATING PLANS

- A. Changes. It is anticipated that the District will continue to revise and develop this Operating Plan annually, in response to changing needs and opportunities in the District, in accordance with the purposes and objectives defined in this Operating Plan.

Wisconsin Statutes section 66.1110(4)(b) requires the Board and the City to annually review and make changes as appropriate in the Operating Plan. Therefore, while this document outlines in general terms proposed activities, information on specific assessed values, budget amounts and assessment amounts are based solely upon current conditions. Greater detail about subsequent years' activities will be provided in the required annual plan updates, and approval by the Common Council of such plan updates shall be conclusive evidence of compliance with this Operating Plan and the NID statute.

In later years, the District Operating Plan will continue to apply the assessment formula, as adjusted, to raise funds to meet the next annual budget. **[However, the method of assessing and the board composition shall not be materially altered, except with the approval of a 4/5 majority of the entire District Board and consent of the City of Milwaukee.]**

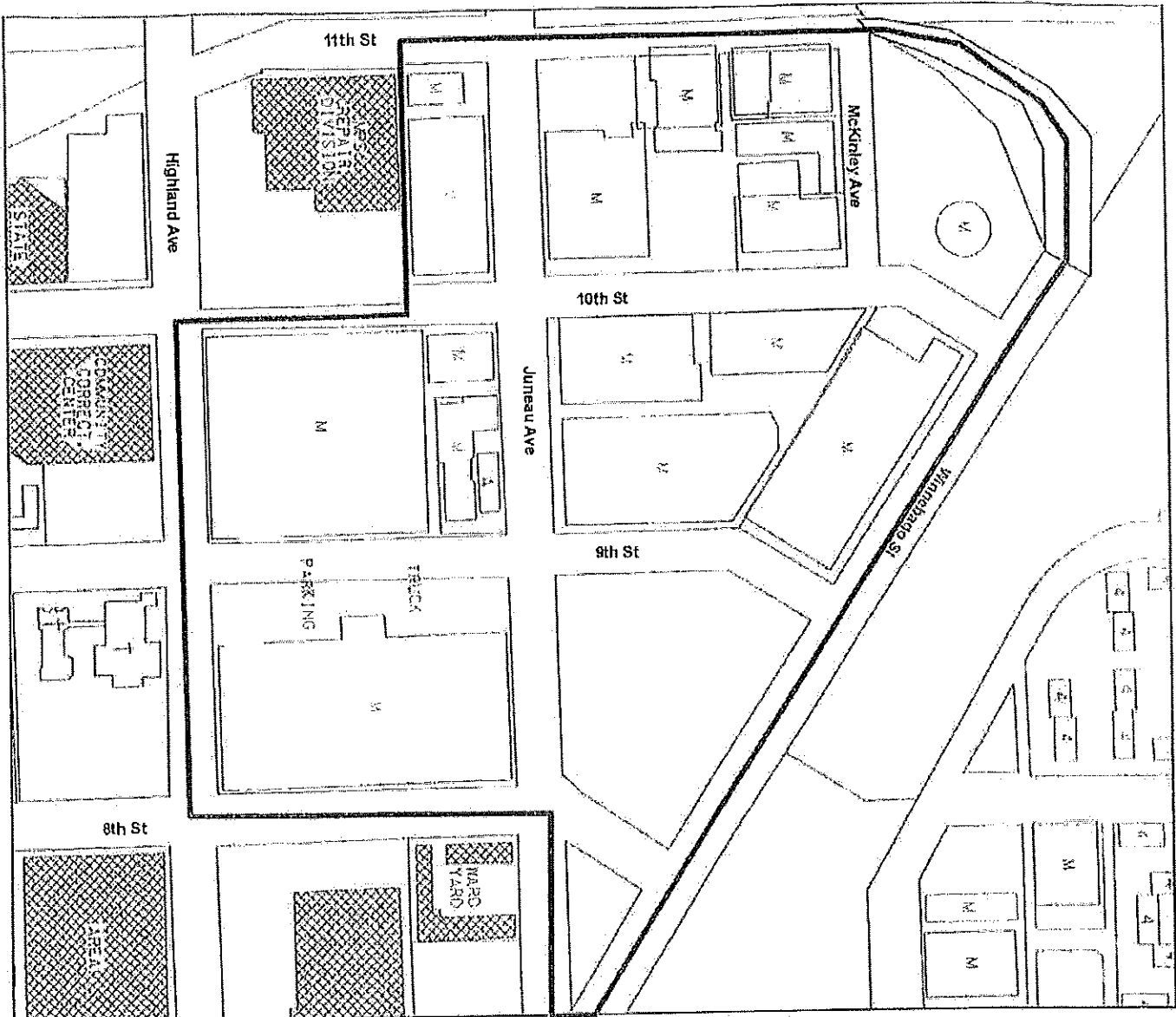
B. Amendment, Severability and Expansion. This District has been created under authority of Wisconsin Statutes section 66.1110. Except as set forth in the next sentence, should any court find any portion of this statute invalid or unconstitutional its decision will not invalidate or terminate the District and this Operating Plan shall be amended to conform to the law without need of re-establishment. Should any court find invalid or unconstitutional the organization of the entire District Board, any requirement for a 4/5 majority vote of the District Board, the budgeting process or the automatic termination provision of this or any subsequent Operating Plan, the District shall automatically terminate and this Operating Plan shall be of no further force and effect.

APPENDIX A

Wisconsin Statutes section 66.1110

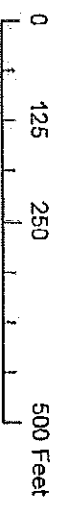
APPENDIX B

District Boundaries



The Brewery Neighborhood Improvement Boundary (NID)

 Potential NID Boundary



Produced by:
Department of City Development Information Center, FTW
Project File:
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Map File:
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APPENDIX C

Listing of Properties Included in the District
and District Assessments

NID 1--2015 Assessment Report
September 24, 2014

rec_type	dist #	taxkey	address	owner1	total assessment	NID Assessment
NID	01	3620441100	925 W WINNEBAGO	BLUE RIBBON LOFT APTS LLC	\$ 5,388,000	\$ 11,305
NID	01	3620452000	1243 N 10TH	PBH REDEVELOPMENT LLC	\$ 4,424,000	\$ 9,282
NID	01	3620453000	1220 N 11TH	BREWERY SILO LLC	\$ 400,000	\$ 839
NID	01	3620501000	1017 W MC KINLEY	BREWERY SILO LLC	\$ 567,600	\$ 1,191
NID	01	3620502000	1217 N 10TH	NEIGHBORHOOD IMPROVEMENT	\$ 1,200	\$ 3
NID	01	3620508000	1036 W JUNEAU	BLUE RIBBON REDEV FUND	\$ 4,375,000	\$ 9,180
NID	01	3620509000	1203 N 10TH	BREWERY HOUSE LLC	\$ 12,400,000	\$ 26,018
NID	01	3620512000	902 W JUNEAU	BREWERY PARKING	\$ 6,874,000	\$ 14,423
NID	01	3620521000	1244 N 9TH	BREWERY POINT APTS LLC	\$ 1,797,000	\$ 3,770
NID	01	3620531000	1003 W WINNEBAGO	BREWERY PROJECT LLC	\$ 1,495,700	\$ 3,138
NID	01	3620541000	1037 W MC KINLEY	BC PABST HOLDINGS LLC	\$ 3,126,000	\$ 6,599
NID	01	3620551000	1240 N 10TH	BOARD OF REGENTS OF THE	\$ 9,958,000	\$ 20,894
NID	01	3620552000	926 W JUNEAU	BP PROPERTY OWNER ND 2 LLC	\$ 488,800	\$ 1,047
NID	01	3620561100	840 W JUNEAU	FREDERICK LOFTS LLC	\$ 5,556,400	\$ 11,658
NID	01	3620571000	821 W WINNEBAGO	BREWERY PROJECT LLC	\$ 782,700	\$ 1,642
NID	01	3910751000	915 W JUNEAU	BREW CITY REDEVELOPMENT	\$ 937,500	\$ 1,946
NID	01	3910842000	1125 N 9TH	BLUE RIBBON SUITE LLC	\$ 2,175,000	\$ 4,564
NID	01	3910843000	1131 N 8TH	BREWERY PROJECT LLC	\$ 2,098,000	\$ 4,402
NID	01	3910861000	1037 W JUNEAU	BREWERY PROJECT LLC	\$ 250,000	\$ 525
NID	01	3910862000	1009 W JUNEAU	BREWERY PROJECT LLC	\$ 1,484,000	\$ 3,114
TOTALS					\$ 64,578,900	\$ 135,500
						0.21%

APPENDIX D

Proposed 2016 Budget

DRAFT
NID No.1 - 2016 Budget

<u>Category</u>	2016
Snow Plowing	\$ 7,500.00
Pabst Sign Electric	1,000.00
Pabst Sign Repairs	5,000.00
Legal Fees	1,000.00
Admin Fees	15,000.00
Audit Fee	5,500.00
Storm Water Retention Main	5,000.00
Public Art Maintenance	900.00
Clean Sweep Ambassadors	12,000.00
Public Safety Ambassadors	50,000.00
Property Identification	500.00
Contingency	-
Directors/Officers and Liab Ins	2,000.00
Commercial Property Insurance	6,500.00
Pocket Park Water	1,500.00
Pocket Park RE Tax	100.00
Pocket Park landscaping	6,500.00
Pocket Park Electricity	2,500.00
Pocket Park maintenance	2,500.00
ROW landscape maintenance	8,000.00
Newsletter	2,500.00
Working Capital Reimbursement	-
Total	135,500.00

NEIGHBORHOOD IMPROVEMENT DISTRICT NO. 1 (THE BREWERY)
2015 ANNUAL REPORT
September 14, 2015

Neighborhood Improvement District (“NID”) are authorized by Section 66.1110, Wisconsin Statutes and serve as a tool for property owners and municipalities to work together to strengthen neighborhoods. NIDs serve primarily as self assessment district in which property owners assess themselves and use those funds to enhance their area.

On October 29, 2008, the Common Council of the City of Milwaukee adopted File No. 080615, which created NID No. 1 (The Brewery), and approved its Initial Operating Plan. During 2014 NID No. 1 continued its mission of providing a more clean, safe and friendly setting for the residents, workers, students and guests throughout The Brewery neighborhood. The 2015 Operating Plan proposed spending \$on a variety of activities. Major accomplishments for 2015 included:

- Weekly litter control efforts
- Operation of Zilber Park, including being the setting for wedding ceremonies
- Maintenance of historic PABST sign over Juneau Avenue
- General maintenance of The Brewery public areas including snow removal of public areas.
- Bioswale maintenance
- Public Safety activities

On September 24, 2015 the annual Owner’s Meeting was held to elect NID No. 1’s Board of Directors. The following individuals were elected to one year terms:


Representing owner of largest property by assessed value:	Mr. McCarthy
Representing a multi-tenant office building:	Mr. Kelly
Representing a street level retail business:	Mr. Haertel
Representing a parking structure or lot:	Mr. Bernacchi
Representing an owner of a residential building:	Mr. Matkom

Following the initial Owner’s meeting, a Board of Director’s meeting of NID No. 1 (The Brewery) was held. In that meeting the following officers were elected:

Chairman:	Mr. McCarthy
Secretary:	Mr. Matkom
Treasurer:	Mr. Kelly

In addition the Board approved the Year 8 (2016) Operating Plan.

In summary 2015 was a year of continuing NID No. 1’s property management and maintenance responsibilities.



**City of Milwaukee Neighborhood
Improvement District No. 1:
The Brewery**

Financial Statements
(With Required Supplementary Information)
Years Ended December 31, 2014 and 2013

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery

Financial Statements
(With Required Supplementary Information)
Years Ended December 31, 2014 and 2013

**City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery**

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Tel: 414-272-5900
Fax: 414-272-1090
www.bdo.com

Two Plaza East
330 East Kilbourn Avenue, Suite 750
Milwaukee, WI 53202

Independent Auditor's Report

To the Board of Directors
City of Milwaukee Neighborhood Improvement District No. 1: The Brewery
Milwaukee, Wisconsin

We have audited the accompanying financial statements of City of Milwaukee Neighborhood Improvement District No. 1: The Brewery (the District), which comprise the statements of net assets as of December 31, 2014 and 2013, the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

BDO USA, LLP

September 17, 2015

Management's Discussion and Analysis

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery
Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis

This section of the City of Milwaukee Neighborhood Improvement District No. 1: The Brewery (the District) financial report presents a discussion and analysis of the District's financial performance for the years ended December 31, 2014 and 2013. The discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes. This discussion and analysis is designed to focus on current activities, resulting changes and currently known facts.

Using the Financial Report

This financial report consists of three financial statements that focus on the financial condition of the District and the results of its operations as a whole.

One of the most important questions asked about governmental finances is whether the unit of government as a whole is better off or worse off as a result of the year's activities. A key to the understanding of this question is the statement of net assets, statement of revenues, expenses and changes in net assets and the statement of cash flows which present financial information in a format similar to that used by businesses.

The statements of net assets include all of the District's assets and liabilities. It is prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The District's net assets are one indicator of its financial health. Generally, over time, increases or decreases in net assets will indicate the improvement or erosion of the District's financial health.

The statements of revenues, expenses and changes in net assets present the revenues earned and the expenses incurred during the period. The District's activities are reported as operating. The District currently has only minimal operating activities, which are shown in detail in the statements of revenues, expenses and changes in net assets. Note that the amount for net assets at end of period on these statements agrees with total net assets on the statements of net assets.

Other important factors to consider when evaluating financial viability is the District's ability to meet financial obligations as they are due and its ability to generate future net cash flows. The statements of cash flows present the information related to cash inflows and outflows summarized by operating, capital financing and investing activities. In addition to information about cash transactions, the statements of cash flows reconciles the increase in net assets on the statements of revenues, expenses and changes in net assets, with net cash provided by operating activities on the statements of cash flows.

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery
Management's Discussion and Analysis (Unaudited)

Statements of Net Assets

<i>December 31,</i>	2014	2013
Assets		
Current assets	\$ 52,406	\$ 67,768
Non-current capital assets	58,374	50,000
Total Assets	110,780	117,768
Liabilities		
Current liabilities	16,485	9,152
Net Assets	94,295	108,616
Total Liabilities and Net Assets	110,780	117,768

Current Assets

Current assets consist of cash in the District's bank account and prepaid insurance premiums for the District's business insurance policy.

Noncurrent Capital Assets

During 2009, the District received a donation of property that had a fair value of \$50,000. The District received no material donations during 2014 or 2013. In 2014 the District acquired security equipment that had a balance of \$8,374 net of depreciation, as of December 31, 2014.

Current Liabilities

Current liabilities consist primarily of accounts payable and accrued expenses.

Accounts Payable

Accounts payable consist of expenses for goods and services received from vendors in the current year but paid for in the following year. The balance of accounts payable at December 31, 2014 and 2013 is predominantly made up of snow removal fees, management fees, electricity, repairs and maintenance, and other miscellaneous items.

Accrued Expenses

Accrued expenses consist of expected audit fees.

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery
Management's Discussion and Analysis (Unaudited)

Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended December 31,</i>	2014	2013
Revenues		
Assessment income	\$ 85,450	\$ 71,140
Expenses		
Operating expenses	97,750	65,472
Depreciation expense	2,021	-
(Decrease) increase in net assets	(14,321)	5,668
Net Assets, beginning of period	108,616	102,948
Net Assets, end of period	94,295	108,616

Revenues

Assessment Income

The District earned \$85,450 and \$71,140 in assessment income during 2014 and 2013, respectively. The annual assessment for the District's operating expenses is levied by the City of Milwaukee and remitted to the District annually.

Expenses

Operating Expenses

The District incurred \$99,772 and \$65,472 in operating expenses in 2014 and 2013, respectively, primarily for professional fees, signs, landscaping, snow removal, management fees, repairs and maintenance, security, insurance, utilities and real estate taxes.

Overall Financial Position

Management believes the District is in good condition financially. Revenues derived from the City of Milwaukee's 2015 annual assessment are expected to be adequate to cover operating working capital requirements in 2015.

Requests for Information

This financial report is designed to provide a general overview of the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jack Sullivan, Controller.

Financial Statements

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery

Statements of Net Assets

<i>December 31,</i>	2014	2013
Assets		
Cash	\$ 46,949	\$ 62,315
Prepaid expenses	5,457	5,453
Capital assets:		
Land	50,000	50,000
Other capital assets, net of depreciation	8,374	-
Total Assets	110,780	117,768
Liabilities		
Accounts payable	11,836	4,503
Accrued expenses	4,500	4,500
Miscellaneous payable	149	149
Total Liabilities	16,485	9,152
Net Assets		
Invested in capital assets	58,374	50,000
Unrestricted	35,921	58,616
Total Net Assets	\$ 94,295	\$ 108,616

See accompanying notes to financial statements.

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery
Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended December 31,</i>	2014	2013
Assessment Income	\$ 85,450	\$ 71,140
Expenses		
Electric	1,971	2,905
Insurance	7,788	7,721
Landscaping and lawn care	4,445	7,769
Licenses and fees	-	132
Management fee	9,000	9,000
Professional fees - audit	5,310	4,950
Real estate taxes	68	-
Repair and maintenance	7,559	7,848
Security	55,115	-
Sewer and water	1,167	1,286
Sign maintenance	-	16,145
Snow removal	5,327	7,716
Depreciation	2,021	-
Total Expenses	99,771	65,472
Change in Net Assets	(14,321)	5,668
Net Assets, beginning of period	108,616	102,948
Net Assets, end of period	\$ 94,295	\$ 108,616

See accompanying notes to financial statements.

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery
Statements of Cash Flows

<i>Year ended December 31,</i>	2014	2013
Cash Flows From Operating Activities		
Assessment receipt	\$ 85,450	\$ 71,140
Payments to vendors	(90,421)	(64,953)
Net Cash (Used in) Provided by Operating Activities	(4,971)	6,187
Cash Flows From Investing Activities		
Additions to Property and Equipment	(10,395)	-
Net Cash Used in Investing Activities	(10,395)	-
Net (Decrease) Increase in Cash	(15,366)	6,187
Cash, beginning of year	62,315	56,128
Cash, end of year	\$ 46,949	\$ 62,315
Reconciliation of (Decrease) Increase in Net Assets to Net Cash (Used in) Provided by Operating Activities		
(Decrease) increase in net assets	\$ (14,321)	\$ 5,668
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,021	-
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses	(4)	12
Decrease in miscellaneous receivables	-	54
Increase in accounts payable	7,333	304
Increase in miscellaneous payables	-	149
Net Cash (Used in) Provided by Operating Activities	\$ (4,971)	\$ 6,187

See accompanying notes to financial statements.

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Reporting Entity

The City of Milwaukee Neighborhood Improvement District No. 1: The Brewery (the District) was created by the Common Council of the City of Milwaukee on May 13, 2009 under the provisions of Wisconsin Statute Section 66.1110. The purpose of the District is to sustain the development and operation of the former historic Pabst Brewery as a thriving, mixed-use development to be known as The Brewery, a Joseph J. Zilber Historic Redevelopment.

The District is governed by a five-member board appointed by the mayor and approved by the city council. All of the board members represent commercial and residential property owners as defined in the District's bylaws.

Measurement Focus and Basis of Accounting

The statements of net assets and the statements of revenues, expenses and changes in net assets are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash receipts or cash disbursements.

Use of Estimates

The 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statements of Cash Flows

For purposes of the statements of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or other external restrictions. Net assets related to property and equipment are classified as invested in capital assets, and the remainder of the District's net assets are classified as unrestricted.

Property and Equipment

Property and equipment are stated at cost, and are depreciated using the straight-line method except land which was recorded at its fair value upon date of donation. The estimated useful life is three years for the security equipment. Depreciation expense for the years ended December 31, 2014 and 2013, was \$2,021 and \$0, respectively.

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery

Notes to Financial Statements

Budget

The budget for the District for 2014 was \$85,450 of operating expenses. In 2015, an annual operating budget of \$205,250 was adopted.

Subsequent Events

The District evaluated subsequent events through September 17, 2015 which is the date the financial statements were available to be issued. No subsequent events were identified that would have a material impact on these financial statements.

2. Assessment Income

The annual assessment for the District's operating expenses is levied against each property within the District in direct proportion to the current assessed value of each property for real estate purposes. The City of Milwaukee levies the assessment and remits payment to the District annually. During 2014 and 2013, the District received \$85,450 and \$71,140, respectively, in assessment income.

3. Related Party

Zilber, Ltd. (Zilber), related by common ownership to the developer of property within the District, maintains the District's records and received a management fee of \$750 per month in 2014 and 2013 for all administrative and accounting services. The District also reimburses Towne Realty, Inc. (Towne), a wholly owned subsidiary of Zilber, for utility expenses. At December 31, 2014 and 2013, there was \$149 of intercompany payable due to Towne for payment of the District's utility expense.

During fiscal year 2014 and 2013, the District made \$9,000 and \$9,280, respectively in payments to Towne for various administrative services and electricity charges paid on behalf of the District.

4. Line of Credit

The District has a revolving credit note with Brewery Project LLC that permits borrowings up to \$55,000 and bears interest at the prime lending rate. As of December 31, 2014, no amounts were outstanding under this agreement. All outstanding amounts are due and payable within ten business days of receipt of the District's 2017 Annual Assessment Revenue.

Required Supplementary Information

City of Milwaukee
Neighborhood Improvement District No. 1: The Brewery
Budgetary Comparison Schedule (Unaudited)

<i>Year ended December 31, 2014</i>	Budget	Actual
Assessment Income	\$ 85,450	\$ 85,450
Expenses		
Electric	3,600	1,971
Insurance	8,200	7,788
Landscaping and lawn care	3,000	4,445
Legal Fees	750	-
Management fee	10,100	9,000
Professional fees - audit	5,250	5,310
Real estate taxes	50	68
Repair and maintenance	28,900	7,559
Security	1,500	55,115
Sewer and water	2,100	1,167
Sign maintenance	8,000	-
Snow removal	11,500	5,327
Contingency	2,500	-
Depreciation	-	2,021
Total Expenses	85,450	99,771
Change in Net Assets	-	(14,321)
Net Assets, beginning of period	108,616	108,616
Net Assets, end of period	\$ 108,616	\$ 94,295

See accompanying notes to financial statements.

