

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

August 22, 2017

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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 Ten 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 eight (8) 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. The District also shall provide 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 reputable third party service providers 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.

1. Security Program. The District proposes to undertake a variety of strategies to enhance the safety and perception of safety throughout the District. Activities could include installation of security cameras and related signage, additional security staff and other activities as the board may determine from time to time.
2. Day Porter. The District proposes to sponsor a Day Porter 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), and streetscape maintenance in the area of The Brewery.

The District may hire directly, or engage through a contract with a reputable third party vendor, personnel to perform the services described above. These maintenance efforts will complement the efforts of the City Department of Public Works. Day Porters will

manually sweep sidewalks, pocket parks and other green spaces, pick up litter and remove graffiti. They will also maintain pocket parks, alleys (including snow and ice removal from November through March) and maintain other green spaces as well as maintain storm-water facilities within the District boundaries.

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 2018 proposed annual operating budget for the District is \$187,500. 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 2017 assessed valuation of all property subject to assessment within the proposed District boundaries was \$92,239,500. 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 tenth year of operation. Such proposed assessments are based on the assessed value and classification estimated in 2017 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) NID No. 1 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.]**

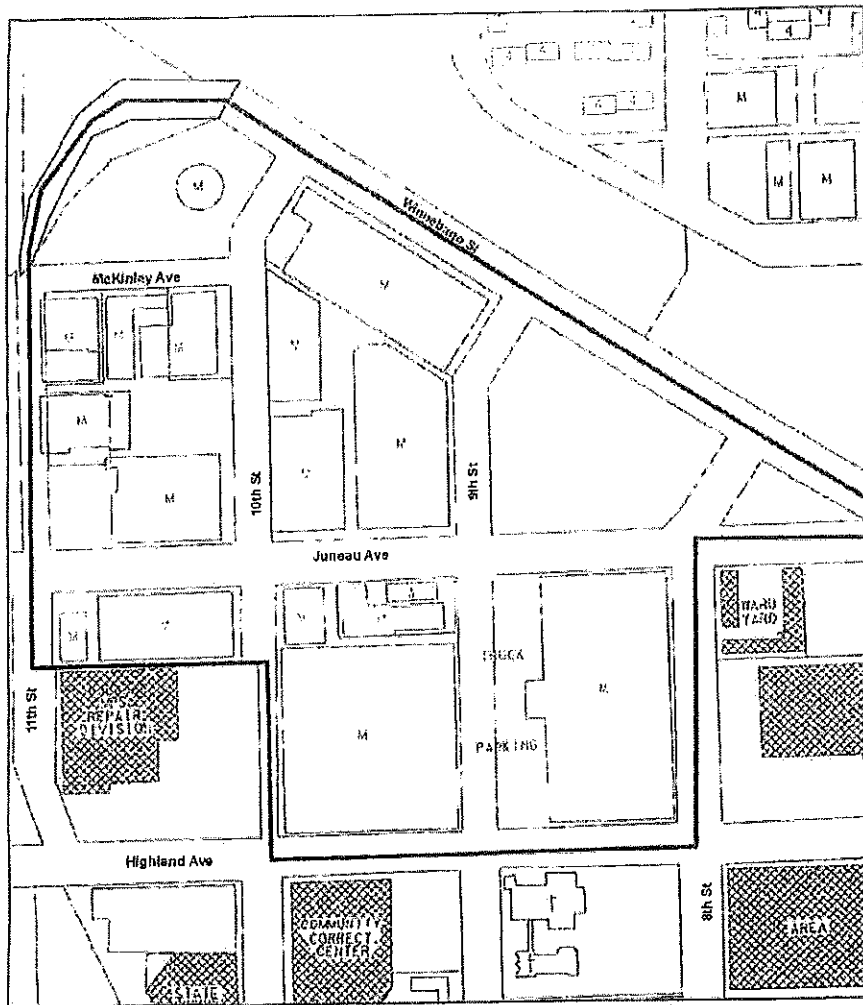
- B. Amendment, Severability and Expansion. This District has been created under authority of Wisconsin Statutes section 66.1110. Except as set forth in the next sentence, should any court find any portion of this statute invalid or unconstitutional its decision will not invalidate or terminate the District 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

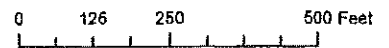
District Boundaries



The Brewery
Neighborhood Improvement Boundary (NID)

 Potential NID Boundary

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APPENDIX C

Listing of Properties Included in the District
and District Assessments

NID No. 1 City of Milwaukee

2018

rem_taxkey	addr	rem_owner1	land	curr_imprv	curr_total	assessment
3620441100	925 W WINNEBAGO	BLUE RIBBON LOFT APTS LLC	1444000	4022000	5466000	\$ 11,109.82
3620452000	1243 N 10TH	PBH REDEVELOPMENT LLC	331300	4302700	4634000	\$ 9,418.75
3620453000	1220 N 11TH	BREWERY SILO LLC	257500	192500	450000	\$ 914.64
3620501000	1017 W MC KINLEY	BREWER SILO LLC	816700	57200	873900	\$ 1,776.23
3620502000	1217 N 10TH	NEIGHBORHOOD IMPROVEMENT	1300	0	1300	\$ 2.64
3620508000	1036 W JUNEAU	BLUE RIBBON REDEV FUND III	381000	6917000	7298000	\$ 14,833.41
3620509000	1203 N 10TH	BREWERY HOUSE LLC	547100	12855900	13403000	\$ 27,242.02
3620512000	902 W JUNEAU	BREWERY PARKING	1000400	5567600	6568000	\$ 13,349.67
3620521000	1244 N 9TH	BREWERY POINT APTS LLC	336000	1498000	1834000	\$ 3,727.66
3620531000	1003 W WINNEBAGO	BREWERY PROJECT LLC	2358900	0	2358900	\$ 4,794.54
3620541000	1037 W MC KINLEY	1037 WEST MCKINLEY AVE LLC	289600	2704400	2994000	\$ 6,085.40
3620551000	1240 N 10TH	BOARD OF REGENTS OF THE	0	0	9968000	\$ 20,260.27
3620552000	926 W JUNEAU	BP PROPERTY OWNER NO 2 LLC	798100	0	798100	\$ 1,622.16
3620561100	840 W JUNEAU	FREDERICK LOFTS LLC	960000	13564000	14524000	\$ 29,520.49
3620571000	821 W WINNEBAGO	BREWERY PROJECT LLC	1043600	0	1043600	\$ 2,121.15
3910751000	901 W JUNEAU	BREW CITY REDEVELOPMENT	382500	780900	1163400	\$ 2,364.65
3910843000	1131 N 8TH	SSL MILWAUKEE LLC	1653000	1222000	2875000	\$ 5,843.53
3910861000	1037 W JUNEAU	BLUE RIBBON REDEVELOPMENT	150700	443300	594000	\$ 1,207.32
3910862000	1009 W JUNEAU	MILWAUKEE PABST HOLDINGS LLC	660400	1013600	1674000	\$ 3,402.46
3910871000	925 W JUNEAU	MILWAUKEE DEVELOPMENT CORP	191300	0	191300	\$ 388.82
3910872000	1125 N 9TH	BLUE RIBBON SUITES LLC	3120000	10417000	13537000	\$ 27,514.38

2018 Budget \$ 187,500
 rate 0.002032531
 \$ 92,249,500 \$ 187,500.00

APPENDIX D
Proposed 2018 Budget

NID No.1 - 2018 Budget

<u>Category</u>	2017	2018
Snow Plowing	\$ 7,500	\$ 7,500
Pabst Sign Electric	\$ 1,000	\$ 1,000
Pabst Sign Repairs	\$ 2,500	\$ 2,500
Legal Fees	\$ 1,000	\$ 1,000
Admin Fees	\$ 15,500	\$ 29,000
Audit Fee	\$ 7,000	\$ 7,000
Storm Water Retention Main	\$ 5,000	\$ 5,000
Public Art Maintenance	\$ 2,000	\$ 2,000
Clean Sweep Ambassadors	\$ 12,500	\$ 12,500
Security	\$ 50,000	\$ 36,500
Property Identification	\$ 500	\$ 500
Directors/Officers and Liab Ins	\$ 2,000	\$ 2,000
Commercial Property Insurance	\$ 6,500	\$ 6,500
Pocket Park Water	\$ 2,000	\$ 2,000
Pocket Park RE Tax	\$ 500	\$ 500
Pocket Park landscaping	\$ 6,500	\$ 6,500
Pocket Park Electricity	\$ 5,000	\$ 5,000
Pocket Park maintenance	\$ 5,000	\$ 5,000
ROW landscape maintenance	\$ 8,000	\$ 8,000
Newsletter	\$ 2,500	\$ 2,500
Holiday Lighting	\$ 25,000	\$ 25,000
Bubler Bike Station	\$ 20,000	\$ 20,000
Total	\$ 187,500	\$ 187,500

NEIGHBORHOOD IMPROVEMENT DISTRICT NO. 1 (THE BREWERY)
2017 ANNUAL REPORT
August 22, 2017

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 2017 Operating Plan proposed spending \$187,500 on a variety of activities. Major accomplishments for 2017 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
- Storm water recertification and related maintenance activities
- Public Safety activities

On August 22, 2017 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. Matkom
Representing a multi-tenant office building:	Mr. Kelly
Representing a street level retail business:	Mr. Haertel
Representing a parking structure or lot:	Mr. McCarthy
Representing an owner of a residential building:	Ms. Narduzzi

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. Kelly
Secretary:	Mr. Matkom
Treasurer:	Ms. Narduzzi


In addition the Board approved the Year 10 (2018) Operating Plan.

In summary 2017 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
Years Ended December 31, 2016 and 2015**



The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



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

Financial Statements
Years Ended December 31, 2016 and 2015

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

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Independent Auditor's Report

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, 2016 and 2015, 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, 2016 and 2015, 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 management's discussion and analysis on pages 6 through 8 and the required supplementary information on page 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

July 28, 2017

Management's Discussion and Analysis (Unaudited)

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

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, 2016 and 2015. 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>	2016	2015
Assets		
Current assets	\$ 188,470	\$ 156,101
Non-current capital assets	51,444	54,909
Total Assets	\$ 239,914	\$ 211,010
Liabilities		
Current liabilities	\$ 15,711	\$ 18,208
Net Assets	224,203	192,802
Total Liabilities and Net Assets	\$ 239,914	\$ 211,010

Current Assets

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

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 2016 or 2015.

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, 2016 and 2015 is predominantly made up of snow removal fees, management fees, electricity, repairs and maintenance, real estate tax due, 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>	2016	2015
Revenues		
Assessment income	\$ 135,500	\$ 205,250
Expenses		
Operating expenses	100,634	103,278
Depreciation expense	3,465	3,465
Increase in Net Assets	31,401	98,507
Net Assets, beginning of period	192,802	94,295
Net Assets, end of period	\$ 224,203	\$ 192,802

Revenues

Assessment Income

The District earned \$135,500 and \$205,250 in assessment income during 2016 and 2015, 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 \$104,099 and \$106,743 in operating expenses in 2016 and 2015, respectively, primarily for professional fees, right of way landscape, landscaping, snow removal, management fees, repairs and maintenance, security, insurance, utilities, and depreciation.

Overall Financial Position

Management believes the District is in good condition financially. Revenues derived from the City of Milwaukee's 2017 annual assessment, along with reserves from prior year surpluses, are expected to be adequate to cover operating working capital requirements in 2017.

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>	2016	2015
Assets		
Current Assets		
Cash	\$ 176,859	\$ 150,590
Prepaid expenses	6,476	5,511
Miscellaneous receivable	5,135	-
Total Current Assets	188,470	156,101
Property and Equipment		
Land	50,000	50,000
Security system	10,395	10,395
	60,395	60,395
Less accumulated depreciation	(8,951)	(5,486)
Total Property and Equipment, Net	51,444	54,909
Total Assets	\$ 239,914	\$ 211,010
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 10,211	\$ 12,708
Accrued expenses	5,500	5,500
Total Current Liabilities	15,711	18,208
Net Assets		
Invested in capital assets	51,444	54,909
Unrestricted	172,759	137,893
Total Net Assets	224,203	192,802
Total Liabilities and Net Assets	\$ 239,914	\$ 211,010

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>	2016	2015
Assessment Income	\$ 135,500	\$ 205,250
Operating Expenses		
Electric	1,932	2,733
Insurance	8,852	7,825
Landscaping	12,934	9,189
Management fee	15,000	11,000
Professional fees - audit	4,559	6,674
Real estate taxes	168	38
Repair and maintenance	17,286	9,085
Security	32,067	45,544
Sewer and water	743	789
Sign maintenance	545	829
Right of way landscape	351	5,527
Snow removal	6,197	4,045
Depreciation	3,465	3,465
Total Operating Expenses	104,099	106,743
Increase in Net Assets	31,401	98,507
Net Assets, beginning of period	192,802	94,295
Net Assets, end of period	\$ 224,203	\$ 192,802

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>	2016	2015
Cash Flows From Operating Activities		
Assessment receipt	\$ 135,500	\$ 205,250
Payments to vendors	(109,231)	(101,609)
Net Cash Provided by Operating Activities	26,269	103,641
Cash Flows From Investing Activities		
Additions to property and equipment	-	-
Net Cash (Used in) Investing Activities	-	-
Net Increase in Cash	26,269	103,641
Cash, beginning of year	150,590	46,949
Cash, end of year	\$ 176,859	\$ 150,590
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities		
Increase in net assets	\$ 31,401	\$ 98,507
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,465	3,465
Increase in prepaid expenses	(965)	(54)
Increase in miscellaneous receivables	(5,135)	-
(Decrease) increase in accounts payable and accrued expenses	(2,497)	1,872
Decrease in miscellaneous payables	-	(149)
Net Cash Provided by Operating Activities	\$ 26,269	\$ 103,641

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

Security equipment is stated at cost, and is 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 each of the years ended December 31, 2016 and 2015, was \$3,465.

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

Notes to Financial Statements

Budget

The budget for the District for 2016 was \$135,500 of operating expenses. In 2017, an annual operating budget of \$187,500 was adopted.

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 2016 and 2015, the District received \$135,500 and \$205,250, respectively, in assessment income.

3. Related Party

Zilber, Ltd. (Zilber), is related by common ownership to the developer of property within the District. Towne Realty, Inc. (Towne) a wholly owned subsidiary of Zilber, maintains the District's records and earned a management fee of \$15,000 and \$11,000 in 2016 and 2015, respectively, for all administrative and accounting services. At December 31, 2016 and 2015, there was \$1,250 and \$3,500, respectively, of accounts payable due to Towne for payment of the management fee.

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, 2016 and 2015, no amounts were outstanding under this agreement. All outstanding amounts are due and payable within ten business days of receipt of the Districts 2017 Annual Assessment Revenue.

5. Commitments

The District entered into a lease commencing as of June 2, 2016 which expires June 30, 2019, for a vacant parcel of land located at The Brewery. In lieu of the District paying any monetary rent under the lease, the District will be responsible for all costs and expenses related to the development and use of the land as an urban pocket park. Upon the termination of the lease, the parcel of land will be transferred to the District for the price of \$10.

6. Subsequent Events

The District evaluated subsequent events through July 28, 2017 which is the date the financial statements were available to be issued. Subsequent to year end, the District amended a lease on February 14, 2017. As noted in Note 5, the lease commenced as of June 2, 2016 and expires as of June 30, 2019. The lease was amended to state that the transfer of the parcel at the end of the lease is conditional upon the District adequately performing the responsibilities of all costs and expenses related to the development and use of the land as an urban pocket park.

Required Supplementary Information

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

<i>Year ended December 31, 2016</i>	Budget	Actual
Assessment Income	\$ 135,500	\$ 135,500
Expenses		
Electric	3,500	1,932
Insurance	8,500	8,852
Landscaping and lawn care	14,500	13,285
Legal fees	1,000	-
Management fee	15,000	15,000
Professional fees - audit	5,500	4,559
Real estate taxes	100	168
Repair and maintenance	20,400	17,286
Security	50,000	32,067
Sewer and water	1,500	743
Sign maintenance	5,000	545
Snow removal	7,500	6,197
Newsletter	2,500	-
Depreciation	-	3,465
Property identification	500	-
Total Expenses	135,500	104,099
Change in Net Assets	-	31,401
Net Assets, beginning of period	192,802	192,802
Net Assets, end of period	\$ 192,802	\$ 224,203

See accompanying notes to financial statements.

NID #1 The Brewery Board Member Sheet

Board Organization: One year terms

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

