

**METROPOLITAN FOOTBALL
STADIUM DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

JDS professional
group
certified public accountants, consultants and advisors

METROPOLITAN FOOTBALL STADIUM DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Metropolitan Football Stadium District
Denver, Colorado

We have audited the accompanying basic financial statements of the Metropolitan Football Stadium District (the "District") as of December 31, 2011, as listed in the table of contents for the year then ended. These financial statements are the responsibility of the Football Stadium District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting 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 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 net assets of the Football Stadium District as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages I through VI and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

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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.

JDS Professional Group

June 19, 2012

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Our discussion of the District's financial performance provides an overview of our activities for 2011 and 2010, with a comparison to the prior year in each case and certain other background information.

Please read it in conjunction with the District's financial statements, which begin on page eight.

FINANCIAL HIGHLIGHTS

- The District commenced our sales tax levy on January 1, 2001. The tax is authorized for eleven (11) years. The basis and rate for these taxes may be changed only by amendment of law (or voter approval in certain circumstances). Sales tax revenue will no longer be earned in 2012 as the levy period has ended.
- Our net assets increased 9.1% in 2011 or \$28.6 million.
- The total investment in the Stadium project was \$456 million through December 31, 2011. There were no additions during 2011.
- The District received \$2.9 million for 2011, under a naming rights agreement, which provides for total revenue of \$60 million over a 20-year period. This revenue is pledged as collateral for repayment of the Series 2002 District bonds (see Note 8 to the financial statements).
- The District entered into an Assignment agreement on August 19, 2011, assigning the naming rights from Invesco Funds Group to TSA Stores, Inc. The payment schedule will remain the same and will continue until August 2020.
- Net sales and use tax revenues increased 3.36% in 2011, or \$1.3 million. The repayment of our debt is funded by the collection of these taxes, the performance of our bond insurer and other factors.
- The substantial completion of the Stadium occurred in late 2002. Prior to completion, the District capitalized a portion of administrative costs, legal and professional costs and the interest expense related to the building of the Stadium. Since the completion of the Stadium these costs are not being capitalized and will show as an expense on the financial statements.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2011

FINANCIAL HIGHLIGHTS (Continued)

- As of December 31, 2011, the District owes \$15.2 million to Broncos Franchise. This liability is accruing interest at a rate of 8.73% for the period August 1, 2011 through July 31, 2012 and a rate of 8.52% for the period August 1, 2010 through July 31, 2011. The interest rate is recalculated on August 1 of each year based on the borrowing rate of the Broncos Franchise (see Note 10 to financial statements).
- The Note and interest due to the Broncos Franchise was paid off in January 2012.
- The Bonds payable amount owed as of December 31, 2011, was paid in full in January 2012.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2011

USING THIS REPORT

This report comprises three financial statements:

- (1) The Statement of Net Assets measures the District's financial health or position as of a point in time (December 31). It represents the difference between the District's assets and liabilities.

Net assets are displayed in three components: Cost of the stadium less accumulated depreciation and related debt (including deferred financing costs) is included in Invested Capital assets; when constraints are imposed externally by laws, other governments, or creditors on net assets, they are reported as Restricted e.g. for the Capital Project and for TABOR (refer to Notes 1 and 7); unrestricted net assets represent that portion of net assets that can be used to finance daily operations without constraints established by laws, enabling legislation or other legal requirements.

- (2) Increases or decreases to net assets are presented in the Statement of Revenues, Expenses and Changes in Net Assets. Increases are one indicator that our financial health improved. Decreases in net assets indicate a decline in our financial position (principally because of depreciation).
- (3) The Statement of Cash Flows portrays the sources, uses and net change in our cash and cash equivalents. Cash flows are segregated as to those related to three major elements - operating, capital and financing, and investing activities.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2011

CONDENSED COMPARATIVE FINANCIAL INFORMATION (in thousands)

	<u>2011</u>	<u>2010</u>
Operating Revenue from INVESCO Field	\$ 4,159	\$ 4,009
Non-operating revenue:		
Sales and use tax	39,836	38,540
Gain on sale of land and land improvements	-	660
Investment income	<u>2,138</u>	<u>2,182</u>
Total revenue	<u>46,133</u>	<u>45,391</u>
Operating expense	13,993	13,955
Non-operating expenses:		
Interest expense	<u>3,487</u>	<u>6,061</u>
Total expenses	<u>17,480</u>	<u>20,016</u>
Increases in net assets	28,653	25,375
Net assets, beginning of year	<u>313,170</u>	<u>287,795</u>
Net asset , end of year	<u>\$ 341,823</u>	<u>\$ 313,170</u>

Total revenues for 2011 increased \$742 thousand or 1.6% and total expenses decreased \$2.5 million or 12.7%. The increase in revenue was due to a small increase in sales tax revenue. The decrease in expenses was due mainly to the decrease in interest expense as the bond principal was decreased.

Investment income decreased \$44 thousand or 2.0%. The decrease was due to the decrease in assets and decreased interest rates on investments in 2011.

Interest expense decreased \$2.6 million in 2011 or 42.5%. The decrease reflects the payoff of bonds and decreased interest costs associated with the bonds.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2011

CONDENSED STATEMENT OF NET ASSETS (in thousands):

	2011	2010
Current assets	\$ 35,756	\$ 35,106
Repurchase agreement	57,463	56,870
US Government securities	2,143	-
Capital assets, net of accumulated depreciation	318,023	331,308
Deferred financing costs	1	70
Total assets	<u>413,386</u>	<u>423,354</u>
 Bonds payable - current	 43,520	 42,160
Other current liabilities	506	303
Bonds payable - non current	2	41,418
Other long-term liabilities	<u>27,535</u>	<u>26,303</u>
Total liabilities	<u>71,563</u>	<u>110,184</u>
 Net assets:		
Invested in capital assets, net of debt	272,234	221,285
Restricted for debt service	69,570	91,866
Restricted for TABOR	19	19
Total net assets	<u>\$ 341,823</u>	<u>\$ 313,170</u>

Activity in capital assets for 2011 is summarized as follows:

Balance, beginning of year	\$ 331,308
Less current year depreciation	<u>(13,285)</u>
Balance, end of year	<u>\$ 318,023</u>

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2011

BUDGET COMPARISON (in thousands):

	2011 Actual (000's)	2011 Budget (000's)	(Under) Over Budget (000's)
Sales and use tax revenues	\$ 39,836	\$ 34,000	\$ 5,836
Investment income	2,138	2,100	38
Franchise payments	1,077	1,000	77
Naming rights revenue	2,960	2,960	-
Other income	122	25	97
Total revenue	<u>46,133</u>	<u>40,085</u>	<u>6,048</u>
Administrative costs	74	80	(6)
Operating expense	3	3	-
Repairs and maintenance	376	300	76
Professional service	186	300	(114)
Accrued debt service	3,487	6,000	(2,513)
Depreciation and amortization	13,352	13,500	(148)
Total expenditures	<u>17,479</u>	<u>20,183</u>	<u>(2,704)</u>
Total net revenue	<u>\$ 28,654</u>	<u>\$ 19,902</u>	<u>\$ 8,752</u>

The actual sales and use tax revenue was more than the 2011 budgeted amount by \$5.8 million. When the budget was prepared it was estimated that 2011 sales tax revenue would decline slightly from the 2010 amount. It actually increased during 2011.

Investment income was slightly more than the budgeted amount due to the rates and investment balances during 2011.

The actual net revenue was more than budgeted by \$6.0 million, resulting mainly from the increase in sales tax.

Accrued debt service was less than budgeted by \$2.5 million. The budget did not take into account the decline in bond principal and reduction of the interest expense for 2011.

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

ASSETS

Current unrestricted assets:

Cash and cash equivalents	\$ 9,099,975
Prepaid expenses and other assets	1,048
Accounts receivable - other	74,944
Total current unrestricted assets	<u>9,175,967</u>

Current restricted assets:

Cash and cash equivalents	19,496,842
Sales and use tax receivable	7,075,765
Interest receivable	6,552
Repurchase agreements	57,463,421
US Government securities	2,142,499
Total current restricted assets	<u>86,185,079</u>

Non-current assets:

Deferred financing costs, net of accumulated amortization of \$6,835,070	<u>1,423</u>
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Capital assets:

Building	349,715,546
Stadium equipment	45,816,107
Land improvements	28,284,104
Art	327,500
Furniture, fixtures and equipment	4,895
Computers and equipment	11,495
Less: accumulated depreciation	(138,183,317)
Total depreciable capital assets	<u>285,976,330</u>
Land	32,047,056
Total capital assets	<u>318,023,386</u>

Total Assets	<u>\$ 413,385,855</u>
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(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities:

Accounts payable	\$ 396,185
Accrued interest-naming rights bonds	109,417
Bonds payable	43,520,000
Total current liabilities	<u>44,025,602</u>

Non-current liabilities:

Franchise note payable	15,173,794
Deferred franchise note interest	12,361,365
Bonds payable	1,683
Total non-current liabilities	<u>27,536,842</u>

Total Liabilities	<u>71,562,444</u>
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NET ASSETS

Invested in capital assets, net of related debt	246,858,550
Expendable restricted net assets	
Restricted for debt service	94,945,667
Restricted for TABOR	<u>19,194</u>
Total Net Assets	<u>341,823,411</u>

LIABILITIES AND NET ASSETS	<u>\$ 413,385,855</u>
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(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

Operating revenues:

Naming rights revenue	\$ 2,960,490
Franchise leases revenue	1,077,194
Events revenue	121,375
Total operating revenues	<u>4,159,059</u>

Operating expenses:

Depreciation expense	13,284,156
Amortization expense	68,413
Operating expense	379,372
General and administrative	74,225
Professional services	186,215
Total operating expenses	<u>13,992,381</u>

Operating (loss)	<u>(9,833,322)</u>
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Non-Operating revenues (expenses):

Use tax revenue	2,173,661
Sales tax revenue	38,324,628
Sales tax collection fees	(662,409)
Total sales and tax revenues	<u>39,835,880</u>

Sales tax investment income	15,212
Interest income	2,122,947
Total investment income	<u>2,138,159</u>

Interest expense	(3,347,328)
Interest expense-naming rights	(139,723)
Total interest expenses	<u>(3,487,051)</u>

Total non-operating revenues (expenses)	<u>38,486,988</u>
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Change in net assets	<u>28,653,666</u>
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Net Assets - Beginning of Year	313,169,745
Net Assets - End of Year	<u>\$ 341,823,411</u>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flows from Operating Activities	
Receipts from naming rights	\$ 2,960,490
Receipts from franchise lease revenues	1,077,194
Receipts from special events revenues	59,861
Payments for operating	(87,509)
Payments for general and administrative	(71,756)
Payments for professional services	<u>(176,303)</u>
Net cash provided by operating activities	<u>3,761,977</u>
Cash Flows from Capital and Related Financing Activities	
Payments of bonds	(40,056,580)
Receipts from sales and use tax revenue	39,954,711
Payments for interest	<u>(2,356,269)</u>
Net cash (used in) capital and related financing activities	<u>(2,458,138)</u>
Cash Flows from Investing Activities	
Interest received	2,116,625
Proceeds from sale of long-term investments	40,290,000
Purchases long-term investments	<u>(43,025,481)</u>
Net cash (used in) investing activities	<u>(618,856)</u>
Net Increase in Cash and Cash Equivalents	684,983
Cash and Cash Equivalents, Beginning of Year	<u>27,911,834</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 28,596,817</u></u>
Cash balance as disclosed in the statement of net assets	
Unrestricted cash and cash equivalents	\$ 9,099,975
Restricted cash and cash equivalents	<u>19,496,842</u>
Total cash and cash equivalents	<u><u>\$ 28,596,817</u></u>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

**Reconciliation of Net Operating Income to Net Cash
Provided by Operating Activities**

Operating loss	\$ (9,833,322)
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**Adjustments to Reconcile Net Operating Income to Net
Cash Provided by Operating Activities**

Depreciation expense	13,284,156
Amortization expense	68,413

Changes in assets and liabilities -

(Increase) in accounts receivable - other	(61,514)
(Increase) in prepaid expenses	(28)
Increase in accounts payable	<u>304,272</u>

Net cash provided by operating activities	<u>\$ 3,761,977</u>
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(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Metropolitan Football Stadium District (the "District") is a body corporate and political subdivision of the State of Colorado established pursuant to the Metropolitan Football Stadium District Act, Article 15, Title 32 of the Colorado Revised Statutes, ("Act"). The District includes all or part of seven counties in the Denver metropolitan area. The District was created for the purpose of planning, acquiring land and constructing a professional football stadium (the "Stadium"). Operations of the District commenced in August 1996.

The Act authorizes the District to levy and collect a sales tax of one-tenth of one percent throughout the District. Subsequent to the termination of the Denver Metropolitan Major League Baseball Stadium District sales tax on December 31, 2000, the District started levying sales tax effective January 1, 2001, and will collect the tax for a period not to extend beyond January 1, 2012. The sales tax assists the District in financing the acquisition of land and construction of the Stadium and the payments of debt service. The sales tax basis and rate may only be changed by amendments to the Act and, under certain circumstances, voter approval.

The District is a separate legal entity responsible for its own financial operations and obligations, and is governed by a Board of Directors (the "Board") of nine members who serve without compensation. Six directors are appointed by the local governments, two directors at large are appointed by the Governor and one director is the chairperson of the Denver Metropolitan Major League Baseball Stadium District. All activities for which the District exercises responsibility have been included in these financial statements.

The District follows the GASB accounting pronouncements which provide guidance for determining which activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set for the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

NOTE (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Summary of Significant Accounting Policies

The financial statements of the District are presented on the basis of governmental proprietary fund accounting concepts. Proprietary fund accounting is used since the District's powers are related to those operated in a manner similar to a private enterprise where net income and capital maintenance are appropriate determinations of accountability.

This fund applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements (including National Council on Governmental Accounting Statements and Interpretations currently in effect).

Revenues and expenses are recognized on an accrual basis. Revenue is recognized when earned and expenses are recognized when the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed amount 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.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate funds for the ensuing year. The Districts Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation is at the total fund expenditures level and lapses at year end.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents.

Capital Assets and Depreciation

Land improvements, buildings and other property and equipment are stated at cost and depreciated using the straight-line method over their respective estimated useful lives of three to forty years.

Classification of Revenues

The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions including naming rights and franchise lease revenues.

Non-operating revenues - Non-operating revenues include activities that have the characteristics of non-exchange transactions, as defined by Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting, such as sales and use tax revenue as well as investment income.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (2) CASH AND INVESTMENTS

GASB's accounting for Deposits and Investment Risk Disclosure, modifies and establishes disclosure requirements related to investment risks including credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

As of December 31, 2011, the District's cash and cash equivalents included the following:

Cash - unrestricted	\$ 9,099,975
Cash - restricted	1,224,007
Money market funds - restricted	18,272,835
	<u>\$ 28,596,817</u>

Investments in money market funds include funds held by the District's Bond Trustee, Wells Fargo Bank. These investments are carried at cost which approximates fair value and bear interest at prevailing market rates for similar securities. The money market fund is invested in instruments issued or guaranteed as to principal and interest by the U.S. Government or obligations of U.S. Governmental agencies, and carry an AAA rating.

Deposits: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Deposits are carried at cost. Deposits include operating and savings accounts as well as money market funds held by the District's Bond Trustee. As of December 31, 2011, the District held \$28,096,817 in uninsured deposits not covered by federal depository insurance. The uninsured deposits represent deposits for which collateral has been pledged, and is held by the pledging bank or its trust department or agent in other than the District's name.

The Public Deposit Protection Act requires all eligible depositories holding public deposits to pledge a pool of eligible collateral having market value equal to 102 percent of the total public deposits exceeding those amounts not insured by federal depository insurance. The District's depository met these requirements at year-end.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (2) CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

Eligible investments the District may acquire are defined in the Act, the laws of the State of Colorado and the Trust Indenture. The eligible investments the District may invest in include certain repurchase agreements, U.S. Government securities and guaranteed investment contracts among others.

Credit Risk - To mitigate the risk that investments will not be repaid, the District invests in money market funds and repurchase agreements for which the underlying investments comprise U.S. Government instruments.

Interest Rate Risk - The District minimizes the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and debt retirement, thereby avoiding the need to sell securities prior to maturity. Minimizing the risk is accomplished by investing operating funds in highly liquid instruments.

As of December 31, 2011, the District's investments were consisted of \$57,463,421 in repurchase agreements and \$2,142,499 in U.S. Government securities with a maturity of less than 1 year. The repurchase agreements do not have a credit risk rating.

NOTE (3) LONG-TERM DEBT

On August 1, 1999, pursuant to a Trust Indenture, (the "Indenture") between the District and Wells Fargo Bank (formerly Norwest Bank) the District issued \$140,528,624 ("Series 1999A") and \$104,470,366 ("Series 1999B") tax exempt capital appreciation bonds ("1999 Bonds"). Pursuant to a Trust Indenture, dated as of August 1, 2002, between the District and Wells Fargo Bank, the District issued \$15,000,000 ("Series 2002") taxable subordinate lien bonds ("2002 Bonds").

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (3) LONG-TERM DEBT (CONTINUED)

Bonds outstanding as of December 31, 2011 consisted of the following:

	<u>Maturity</u>	<u>Stated interest rate</u>	<u>December 31, 2011 (000's)</u>
Series 1999A Bonds	October 1, 2007 to 2012	4.88% to 5.30%	\$ 41,500
Series 2002 bonds	March 1, 2003 to 2012	1.90% to 6.5%	2,020
Plus unamortized premium			2
Total bonds payable			<u>\$ 43,522</u>
Accreted bond interest from inception:			
Series 1999A			<u>\$ 91,016</u>

The bonds are collateralized by the Pledged Revenues (as more fully described in the Indenture) consisting primarily of the net proceeds derived by the District from the levy of a one-tenth of one percent sales tax on all taxable retail sales within the seven county areas comprising the jurisdiction of the District. The District's tax levy commenced January 1, 2001.

The outstanding bond principal and interest payments are also unconditionally and irrevocably guaranteed under a noncancellable insurance policy issued by MBIA Insurance Corporation ("MBIA"). MBIA has a lien on certain District revenues, subordinate to that granted to the bondholders, to secure repayment of amounts paid and expenses incurred by it, if any, under the policy.

The following schedule summarizes debt service requirements to maturity:

	<u>Amount (000's)</u>				
	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2012	<u>\$ 23,730</u>	<u>\$ 19,790</u>	<u>\$43,520</u>	<u>\$ 109</u>	<u>\$ 43,629</u>

The Series 1999A bonds are not subject to redemption prior to their maturity dates.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (3) LONG-TERM DEBT (CONTINUED)

The following schedule summarizes changes in debt:

	Amount (000's)		
	December 31, 2010	Additions	(Payments)
Franchise payable	\$ 15,174	\$	\$ 15,174
Deferred interest	11,129	1,232	12,361
Bonds payable	83,578	2,115	(42,171)
Total debt outstanding	<u>\$ 109,881</u>	<u>\$ 3,347</u>	<u>\$ (42,171)</u>
			<u>\$ 71,057</u>

NOTE (4) CAPITAL ASSETS

A summary of acquisitions, dispositions, and accumulated depreciation is as follows:

	Amount (000's)		
	December 31, 2010	Acquisitions	(Dispositions)
Building	\$ 349,715,546	\$	\$ 349,715,546
Stadium equipment	45,816,107		45,816,107
Land	32,047,056		32,047,056
Land improvements	28,284,104		28,284,104
Art	327,500		327,500
Furniture and fixtures	4,895		4,895
Equipment	11,545		11,545
	<u>456,206,753</u>		<u>456,206,753</u>
Less:			
accumulated depreciation	(124,899,161)	(13,284,156)	(138,183,317)
Total	<u>\$ 331,307,592</u>	<u>\$ (13,284,156)</u>	<u>\$ 318,023,436</u>

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (5) FUND REQUIREMENTS

Pursuant to the Indenture, the Trustee has established the following funds:

	December 31, 2011 (000s)
Bond	\$ 43,486
Supplemental Reserve	34,181
District Project	212
Total	<u>\$ 77,879</u>

The Indenture governs the administration of the various funds and the sources and uses thereof as follows:

Revenue Fund

So long as any bonds are outstanding, there shall be deposited in the Revenue Fund, when received, all amounts constituting Pledged Revenues, together with earnings thereon, and any other amounts deposited by the District to pay the debt service requirements of the bonds. The Trustee is bound by the following order of priority:

- a. Beginning in calendar year 2001, amounts shall be applied as follows: (i) the first \$19,615,000 shall be transferred promptly after deposit to one or more of the accounts within the District Project Fund; (ii) amounts in excess of \$19,615,000 shall be applied as directed by the District including the payment by the Trustee of such amounts to the District free and clear of the lien of the Indenture; provided that the amount applied shall not exceed \$6,020,000 and (iii) all amounts deposited in excess of \$25,635,000 shall be applied as provided in paragraphs b. through h. as follows;
- b. Except as otherwise provided by Supplemental Indenture, monthly receipts shall be transferred to the Bond Fund until the debt service requirements of the Bond Fund are met;
- c. Except as provided in the Indenture with respect to repayment of amounts drawn under a Reserve Fund Insurance Policy or a Reserve Fund Letter of Credit, all remaining amounts shall be transferred to the Bond Reserve;

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (5) FUND REQUIREMENTS (CONTINUED)

Revenue Fund (continued)

- d. Fund until the amount on deposit in the Bond Reserve Fund shall equal the Bond Reserve Requirement;
- e. All remaining amounts shall be transferred to the Rebate Fund until the amount on deposit in the Rebate Fund satisfies the requirements of the Indenture with respect to amounts payable to the United States under the Internal Revenue Code;
- f. From the amounts remaining there shall be transferred to the District the amount of the District expenses for the then current fiscal year, but shall not exceed the amount of District expenses set forth in the budget of the District for such fiscal year as approved by the Board of Directors of the District;
- g. Except for certain limitations, all remaining amounts shall be paid to any provider of a Reserve Fund Insurance Policy in payment of interest on any amounts advanced under the Reserve Fund Insurance Policy until such interest has been paid in full;
- h. Except for certain limitations, all remaining amounts shall be paid for payments of interest on any amounts drawn under a Reserve Fund Letter of Credit until such interest has been reimbursed in full, and;
- i. Subject to all payments and deposits required by paragraphs a. through g. under this caption having been made, all remaining amounts shall be transferred to the Supplemental Reserve Fund.

As of December 31, 2011, there were no balances included in this fund.

Bond Fund

All amounts on deposit in the Bond Fund shall be used to pay the principal and interest on bonds as they mature.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (5) FUND REQUIREMENTS (CONTINUED)

Bond Reserve Fund

The District is required to maintain the Bond Reserve Fund as a continuing reserve in an amount not less than the bond reserve requirement, to be used, except as provided in the Indenture, only to prevent deficiencies in the payment of the debt service on the bonds or to reimburse any Reserve Fund Insurance Policy payments made to meet the Bond Reserve fund requirements. As of December 31, 2011, there were no balances included in this fund.

Supplemental Reserve Fund

This fund will be used to meet any deficiencies for payment of debt service pursuant to the Indenture, or for Reserve Fund Insurance or Reserve Fund Letter of Credit or to replenish deficiencies in the Bond Reserve Fund or the Rebate Fund.

Any amounts not applied pursuant to the Indenture provisions shall remain on deposit in the Supplemental Reserve Fund until the amount on deposit therein equals the Supplemental Reserve Requirement. Any excess (other than investment income) up to an amount equal to 10 percent of the debt service requirements of the bonds must be used annually to defease the bonds. Any further excess is to be transferred by order of the District.

Escrow Fund

The District shall establish with the Trustee an Escrow Fund to which certain excess amounts deposited in the Supplemental Reserve Fund as described above shall be transferred to defease and pay debt service requirements on outstanding bonds. As of December 31, 2011, balances included in this fund were considered nominal.

Rebate Fund

This fund will be used to reserve funds for the federal income tax liability incurred on any excess investment interest, if any. Management of the District believes no liability will be incurred. As of December 31, 2011, there were no balances included in this fund.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (5) FUND REQUIREMENTS (CONTINUED)

District Project Fund

Net bond proceeds received from the sale of the Series 1999A and 1999B Bonds, after deposits to the Bond Reserve Fund, were deposited in the respective Series 1999A and 1999B Project Accounts in the District Project Fund.

Franchise Project Fund

Concurrently with the issuance of the Series 1999 Bonds, SMC deposited approximately \$73 million in the Franchise Project Fund and the amount of \$15 million in the Naming Rights Account. SMC may thereafter deposit amounts in the Franchise Project Fund at such times and in such amounts as it may elect. Amounts on deposit in the Franchise Project Fund and in the Naming Rights Account are not available to pay the debt service requirements of the bonds and the owners of the bonds have no right or interest in such moneys. The District may deposit other amounts in the District Project Fund at such times and in such amounts as it may elect. As of December 31, 2011, there were no balances included in this fund.

NOTE (6) RISK FINANCING

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. Certain of these risks are covered by commercial insurance and performance bonds purchased directly by the District from independent third parties.

NOTE (7) TABOR AMENDMENT

On November 3, 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including reserve requirements, debt limits and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment and the reserve is reflected on the face of the financial

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (7) TABOR AMENDMENT (CONTINUED)

statements. The District has restricted \$19,194 of net assets in compliance with the requirements of TABOR.

NOTE (8) STADIUM NAMING RIGHTS

On January 29, 2001, the District approved and accepted an offer from INVESCO Funds Group, Inc. (INVESCO) to name the football stadium "INVESCO Field at Mile High." Under the agreement, the District would receive \$60 million for the naming of the Stadium, to be paid over a twenty-year period. INVESCO made the first payment in 2001, and is required to make annual payments by August in subsequent years. As of December 31, 2011, \$27,062,720 had been received.

On August 19, 2011, the Stadium Naming Rights Agreement was transferred from INVESCO to The Sports Authority Stores Inc. (Sports Authority). As part of the Assignment, Assumption and Consent Agreement, all of the rights and responsibility were transferred to Sports Authority. Additionally, as part of the transfer, the name of the Stadium was changed to "Sports Authority Field at Mile High."

The District has issued special obligation bonds. The stream of revenues from the sale of the naming rights is intended to be used by the District to pay debt service on such additional or outstanding District bonds.

NOTE (9) OTHER COMMITMENTS AND CONTINGENCIES

Commitments

Pursuant to the Construction Agreement with PDB Sports Ltd., ("PDB"), if PDB advances funds for the District's share of the construction costs, the District shall reimburse PDB for the cost overruns, plus interest equal to PDB's cost of borrowing which is calculated annually. The interest rate for 2011 was calculated at 8.73%. The reimbursement is paid to the extent the District has revenues available. However, the District shall not be obligated to fund any cost overruns beyond the District's funding capacity. As of December 31, 2011, PDB has advanced the District \$25,773,794, incurring cumulative interest of \$16,109,292 of which \$271,419 has been appropriately

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (9) OTHER COMMITMENTS AND CONTINGENCIES
(CONTINUED)

capitalized and depreciated over the life of the Stadium. Interest expense on the obligation for 2011 was \$1,780,236. The District paid \$10,600,000 in principal during December 31, 2011.

The applicable interest rates reflecting PDB's cost of borrowing will be calculated as of August 1 of each year and applied to the subsequent year. The interest rates are were as follows:

August 1, 2001	5.75%
August 1, 2002	6.10%
August 1, 2003	5.92%
August 1, 2004	5.82%
August 1, 2005	6.33%
August 1, 2006	6.62%
August 1, 2007	7.85%
August 1, 2008	7.28%
August 1, 2009	7.16%
August 1, 2010	8.70%
August 1, 2011	8.73%

Contingencies

The District is authorized to contribute 75 percent of the Stadium design and construction costs up to an amount totaling approximately \$335 million, consisting of up to \$260 million in bonds that were approved in November 1998, plus an amount, the net present value of which shall not exceed \$75 million, calculated as of January 1, 2001 (based upon an 8 percent discount rate), subject to the availability of revenues. PDB is required to contribute 25 percent of the stadium design and construction costs through its affiliate, Stadium Management Company, LLC ("SMC"). SMC performs the operation and management of the Stadium.

NOTE (10) FRANCHISE LEASE REVENUE AND LEASING
COMMITMENTS

Per the Stadium Lease and Management Agreement (the "Agreement). dated September 3, 1998, the District leases to PDB Sports Ltd., ("PDB"), the

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (10) FRANCHISE LEASE REVENUE AND LEASING COMMITMENTS

holder of the Denver Broncos National Football League Franchise, the Stadium land together with all the improvements. PDB will lease the Stadium from August 2001 and the lease will continue until 30 years after such date or the end of 30 complete NFL seasons at the Stadium, whichever is later. Additionally, there are two five-year extensions at the option of PDB. The Agreement also provides for PDB to acquire and own certain property and for revenue sharing for non-football events principally with respect to attendance and parking, as more fully described in the Agreement. Rental payments are due annually on February 1 from PDB subsequent to occupancy. The Agreement calls for the establishment of a Capital Replacement Reserve Fund for the purpose of paying all or part of the cost of capital replacement. Payments to the Capital Replacement Reserve Fund are to be made annually by the District from base rents received from PDB.

Future minimum lease payments required under the agreement are as follows as of December 31, 2011:

	<u>Future minimum lease payments</u>
2012	\$ 1,000,000
2013	2,000,000
2014	2,000,000
2015	2,000,000
2016	3,250,000
Thereafter	48,750,000
	<u>\$ 59,000,000</u>

NOTE (11) DONATED OFFICE SPACE

Under a License Agreement, the District has donated office and museum space to the Colorado Sports Hall of Fame for their use for a 5-year term. The license agreement was renewed for another 5-year term during 2010. The value of the donated office and museum space was estimated based on an average market rate for the central business district of Denver of \$20 per

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE (11) DONATED OFFICE SPACE (CONTINUED)

square foot. The office and museum space is approximately 3,000 square feet resulting in annual donated space of \$60,000.

NOTE (12) SUBSEQUENT EVENTS

The Authority evaluated subsequent events through June 19, 2012, the date which the financial statements were available to be issued, and noted the following items.

As discussed in Note 3, the Districts Series 1999A tax exempt capital appreciation bonds matured during January 2012. The District used the remaining balance of funds held by the Trustee to pay all of the outstanding principal and accrued interest owed to PDB Sports LTD. discussed in Note 9.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Budgetary Comparison Schedule
Year Ended December 31,

	(Thousands)		
	2011	2010	
	<u>Actual</u>	<u>Original Budget</u>	<u>(Under) Over Budget</u>
Resources (inflows):			
Sales and use tax revenues	\$ 39,836	\$ 34,000	\$ 5,836
Investment income	2,138	2,100	38
Franchise payments	1,077	1,000	77
Naming rights revenues	2,960	2,960	-
Other income, rent, parking, and events	122	25	97
Amounts available for appropriation	<u>46,133</u>	<u>40,085</u>	<u>6,048</u>
Charges to appropriations (outflows):			
Operating expense	3	3	-
Repairs and maintenance	376	300	76
Administrative costs	74	80	(6)
Accrued debt service	3,487	6,000	(2,513)
Professional service	186	300	(114)
Depreciation and amortization	<u>13,353</u>	<u>13,500</u>	<u>(147)</u>
Total charges to appropriations	<u>17,479</u>	<u>20,183</u>	<u>(2,704)</u>
Change in net assets	<u>\$ 28,654</u>	<u>\$ 19,902</u>	<u>\$ 8,752</u>

The District's annual budget is prepared on the same basis as its accounting records, approved by the District's Board of Directors and is filed with designated State officials in compliance with