

**METROPOLITAN FOOTBALL
STADIUM DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2013**



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 financial statements of the business type activities and the major enterprise fund of the Metropolitan Football Stadium District (the "District") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which comprise the basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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

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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 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 opinions.

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, 2013, and the changes in its net position and its cash flows for the year then ended in conformity 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 and budgetary comparison information on pages I through VI 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

JDS Professional Group

June 17, 2014

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2013

Our discussion of the District's financial performance provides an overview of our activities for 2013 and 2012, 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

- Our total assets increased 0.20% in 2013 or \$609,328. The changes in assets included additions of \$31 million to the stadium building and equipment; a decrease in cash balances of \$18.1 million; and a decrease in assets of \$12.3 million as a result of the current year depreciation allowance recorded against the basis of the assets.
- The total investment in the Stadium project was \$489 million through December 31, 2013. The 2013 additions included new scoreboard video, suite window replacement, drink rails for the west 50 yard line, new club seat cushions and fire alarm renovations.
- The District received \$9.2 million from PDB Sports Ltd. for renovations incurred during 2013.
- The District received \$3.2 million for 2013, under a naming rights agreement, which provides for total revenue of \$60 million over a 20-year period. The final payment in this agreement will be in the year 2020.
- The District expended \$570,000 more in repairs in 2013 than in 2012. The repairs in 2013 included sealing ramps, pipes, expansion joints, traffic coating, painting and other repairs.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2013

USING THIS REPORT

This report comprises three financial statements:

- (1) The Statement of Net Position 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 position is 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 position, they are reported as Restricted e.g. for the Capital Project and for TABOR (refer to Notes 1 and 7); unrestricted net position represent that portion of net position 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 position are presented in the Statement of Revenues, Expenses and Changes in Net Position. Increases are one indicator that our financial health improved. Decreases in net position 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, 2013

CONDENSED COMPARATIVE FINANCIAL INFORMATION (in thousands)

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Operating Revenue from Sports Authority Field | \$ 5,418 | \$ 4,297 |
| Non-operating revenue: | | |
| Renovation funds from franchise | 9,195 | - |
| Sales and use tax | - | 355 |
| Investment income | 35 | 63 |
| Total revenue | <u>14,648</u> | <u>4,715</u> |
| Operating expense: | | |
| Repairs and maintenance | 850 | 280 |
| General and administrative | 219 | 88 |
| Professional services | 157 | 216 |
| Depreciation and amortization | 12,318 | 13,226 |
| Non-operating expenses: | | |
| Interest expense | - | 20 |
| Total expenses | <u>13,544</u> | <u>13,830</u> |
| Increases (decreases) in net position | 1,104 | (9,115) |
| Net position at beginning of year | <u>332,708</u> | <u>341,823</u> |
| Net position at end of year | <u>\$ 333,812</u> | <u>\$ 332,708</u> |

Total revenues for 2013 increased \$9.9 million or 210.7% and total expenses decreased \$265,782 or 1.9%. The increase in revenue was as a result of the renovation funds received from franchise for capital repairs and improvements. The decrease in expenses resulted from a decrease in depreciation expense and an increase in repairs expense.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2013

CONDENSED STATEMENT OF NET POSITION (in thousands):

| | 2013 | 2012 |
|---|-------------------|-------------------|
| Current assets | \$ 8,276 | \$ 26,438 |
| Capital assets, net of accumulated depreciation | <u>325,553</u> | <u>306,781</u> |
| Total assets | <u>333,829</u> | <u>333,219</u> |
| Other current liabilities | <u>17</u> | <u>512</u> |
| Total liabilities | <u>17</u> | <u>512</u> |
| Net position: | | |
| Invested in capital assets, net of debt | 325,553 | 306,781 |
| Restricted for TABOR | 36 | 18 |
| Unrestricted | <u>8,223</u> | <u>25,909</u> |
| Total net position | <u>\$ 333,812</u> | <u>\$ 332,708</u> |

Activity in capital assets for 2013 is summarized as follows:

| | |
|---|-------------------|
| Balance at beginning of year | \$ 306,781 |
| Plus purchase of scoreboard and stadium equipment | 31,090 |
| Less current year depreciation | <u>(12,318)</u> |
| Balance at end of year | <u>\$ 325,553</u> |

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2013

BUDGET COMPARISON (in thousands):

| | 2013 Actual (000's) | 2013 Budget (000's) | (Under) Over Budget (000's) |
|-------------------------------|---------------------------|---------------------------|--------------------------------------|
| Investment income | \$ 35 | \$ 50 | \$ (15) |
| Renovation funding | 9,195 | - | 9,195 |
| Franchise payments | 2,000 | 2,000 | - |
| Naming rights revenue | 3,202 | 3,202 | - |
| Other income | 216 | 80 | 136 |
| Total revenue | 14,648 | 5,332 | 9,316 |
| Administrative costs | 219 | 165 | 54 |
| Repairs and maintenance | 850 | 300 | 550 |
| Professional service | 157 | 150 | 7 |
| Depreciation and amortization | 12,318 | 13,700 | (1,382) |
| Total expenditures | 13,544 | 14,315 | (771) |
| Total net revenue (loss) | \$ 1,104 | \$ (8,983) | \$ 10,087 |

The funds received from Franchise of \$9.2 million, were not included in the 2013 budgeted figures. The funds were received for capital projects approved by Broncos and the District.

Repairs and maintenance was \$300 thousand more than budgeted. These are the non-capital repairs reimbursed to Stadium Management Company.

Investment income was less the budgeted amount due to the rates and investment balances during 2013.

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

ASSETS

Current unrestricted assets:

| | |
|-----------------------------------|------------------|
| Cash and cash equivalents | \$ 7,276,390 |
| Prepaid expenses and other assets | 944 |
| Accounts receivable - other | 22,411 |
| Total current unrestricted assets | <u>7,299,745</u> |

Current restricted assets:

| | |
|---------------------------------|----------------|
| Cash and cash equivalents | <u>975,766</u> |
| Total current restricted assets | <u>975,766</u> |

Capital assets:

| | |
|-----------------------------------|---------------------------|
| Building | 380,864,050 |
| Stadium equipment | 45,953,506 |
| Land improvements | 28,284,104 |
| Art | 327,500 |
| Furniture, fixtures and equipment | 4,895 |
| Computers and equipment | 11,495 |
| Less: accumulated depreciation | <u>(163,725,731)</u> |
| Total depreciable capital assets | 291,719,819 |
| Land | 33,833,235 |
| Total capital assets | <u>325,553,054</u> |
| Total Assets | <u>\$ 333,828,565</u> |

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities:

| | |
|---------------------------|---------------|
| Accounts payable | \$ 15,998 |
| Accrued expenses | 834 |
| Total current liabilities | <u>16,832</u> |

| | |
|-------------------|---------------|
| Total Liabilities | <u>16,832</u> |
|-------------------|---------------|

NET POSITION

| | |
|-------------------------------------|------------------|
| Invested in capital assets | 325,553,054 |
| Expendable restricted net positions | |
| Restricted for TABOR | 36,782 |
| Restricted for capital repairs | 975,766 |
| Unrestricted | <u>7,246,131</u> |

| | |
|--------------------|--------------------|
| Total Net Position | <u>333,811,733</u> |
|--------------------|--------------------|

| | |
|------------------------------|-----------------------|
| LIABILITIES AND NET POSITION | <u>\$ 333,828,565</u> |
|------------------------------|-----------------------|

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating revenues:

| | |
|--------------------------|------------------|
| Naming rights revenue | \$ 3,202,060 |
| Franchise leases revenue | 2,000,000 |
| Events revenue | 215,347 |
| Miscellaneous revenue | 18 |
| Total operating revenues | <u>5,417,425</u> |

Operating expenses:

| | |
|----------------------------|-------------------|
| Depreciation expense | 12,317,725 |
| Repairs and maintenance | 849,847 |
| General and administrative | 218,917 |
| Professional services | 157,303 |
| Total operating expenses | <u>13,543,792</u> |

| | |
|------------------|--------------------|
| Operating (loss) | <u>(8,126,367)</u> |
|------------------|--------------------|

Non-Operating revenues (expenses):

| | |
|-----------------|---------------|
| Interest income | <u>35,371</u> |
|-----------------|---------------|

| | |
|---|---------------|
| Total non-operating revenues (expenses) | <u>35,371</u> |
|---|---------------|

| | |
|--------------------------|------------------|
| Renovation contributions | <u>9,195,008</u> |
|--------------------------|------------------|

| | |
|------------------------|------------------|
| Change in net position | <u>1,104,012</u> |
|------------------------|------------------|

| | |
|----------------------------------|--------------------|
| Net Position - Beginning of Year | <u>332,707,721</u> |
|----------------------------------|--------------------|

| | |
|----------------------------|------------------------------|
| Net Position - End of Year | <u><u>\$ 333,811,733</u></u> |
|----------------------------|------------------------------|

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities

| | |
|---|------------------|
| Receipts from naming rights | \$ 3,202,060 |
| Receipts from franchise lease revenues | 2,000,000 |
| Receipts from special events revenues | 229,117 |
| Receipts from other revenues | 18 |
| Payments for operating | (1,330,487) |
| Payments for general and administrative | (209,007) |
| Payments for professional services | <u>(181,329)</u> |

| | |
|--|-------------------------|
| Net cash provided by operating activities | <u><u>3,710,372</u></u> |
|--|-------------------------|

Cash Flows from Capital and Related Financing Activities

| | |
|-----------------------------------|------------------|
| Purchase of capital assets | (31,090,014) |
| Renovation contributions received | <u>9,195,008</u> |

| | |
|--|----------------------------|
| Net cash (used in) capital and related financing activities | <u><u>(21,895,006)</u></u> |
|--|----------------------------|

Cash Flows from Investing Activities

| | |
|-------------------|---------------|
| Interest received | <u>35,371</u> |
|-------------------|---------------|

| | |
|--|----------------------|
| Net cash provided by investing activities | <u><u>35,371</u></u> |
|--|----------------------|

| | |
|--|--------------|
| Net Decrease in Cash and Cash Equivalents | (18,149,263) |
|--|--------------|

| | |
|---|-------------------|
| Cash and Cash Equivalents, Beginning of Year | <u>26,401,419</u> |
|---|-------------------|

| | |
|---|----------------------------|
| Cash and Cash Equivalents, End of Year | <u><u>\$ 8,252,156</u></u> |
|---|----------------------------|

Cash balance as disclosed in the statement of net position

| | |
|--|----------------|
| Unrestricted cash and cash equivalents | \$ 7,276,390 |
| Restricted cash and cash equivalents | <u>975,766</u> |

| | |
|--|----------------------------|
| Total cash and cash equivalents | <u><u>\$ 8,252,156</u></u> |
|--|----------------------------|

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

| | |
|---|---------------------|
| Operating loss | \$ (8,126,367) |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation expense | 12,317,725 |
| Changes in assets and liabilities - | |
| Decrease in accounts receivable - other | 13,770 |
| (Increase) in prepaid expenses | (72) |
| (Decrease) in accounts payable | (495,518) |
| Increase in accrued expenses | <u>834</u> |
| Net cash provided by operating activities | <u>\$ 3,710,372</u> |

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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. The Authority operates one major enterprise fund.

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.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings before the end 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.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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.

Subsequent events

The District evaluated subsequent events through June 17, 2014, the date which the financial statements were available to be issued.

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.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE (2) CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2013, the District's cash and cash equivalents included the following:

| | |
|---------------------|---------------------|
| Cash - unrestricted | \$ 7,276,390 |
| Cash - restricted | 975,766 |
| | <u>\$ 8,252,156</u> |

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, 2013, the District held \$7,933,725 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.

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

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE (2) CASH AND INVESTMENTS (CONTINUED)

need to sell securities prior to maturity. Minimizing the risk is accomplished by investing operating funds in highly liquid instruments.

During the year ended December 31, 2013, the District's investments were utilized to pay the District long-term debt obligations. Any amounts remaining after payment of these obligations was transferred to the District's savings and capital repairs cash accounts.

NOTE (3) CAPITAL ASSETS

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

| | Amount (000's) | | | |
|--------------------------|-----------------------|----------------------|---------------------|-----------------------|
| | December 31, 2012 | Acquisitions | (Dispositions) | December 31, 2013 |
| Building | \$ 349,715,546 | \$ 31,148,504 | \$ | \$ 380,864,050 |
| Stadium equipment | 45,816,107 | 137,399 | | 45,953,506 |
| Land | 33,833,235 | | | 33,833,235 |
| Land improvements | 28,284,104 | | | 28,284,104 |
| Art | 327,500 | | | 327,500 |
| Furniture and fixtures | 4,895 | | | 4,895 |
| Equipment | 11,495 | | | 11,495 |
| Construction in progress | 195,889 | | (195,889) | 0 |
| | 458,188,771 | 31,285,903 | (195,889) | 489,278,785 |
| Less: | | | | |
| accumulated depreciation | (151,408,006) | (12,317,725) | | (163,725,731) |
| Total | <u>\$ 306,780,765</u> | <u>\$ 18,968,178</u> | <u>\$ (195,889)</u> | <u>\$ 325,553,054</u> |

NOTE (4) 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.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE (5) 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 statements. As of December 31, 2013, the District has restricted net position of \$36,782 in compliance with the requirements of TABOR.

NOTE (6) STADIUM NAMING RIGHTS

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 responsibilities of the original agreement between the District and INVESCO 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." Under the original agreement, the District would receive \$60 million for the naming of the Stadium, paid over a twenty-year period. INVESCO made the first payment in 2001. Sports Authority is required to make annual payments by August. As of December 31, 2013, \$34,343,690 had been received.

NOTE (7) OTHER COMMITMENTS AND CONTINGENCIES

Contingencies

During November 2012, the District authorized upgrades and improvements to the Stadium. The District agreed to pay 75 percent of the costs of these improvements up to \$22,314,888. PDB Sports Ltd., ("PDB") is required to contribute at least 25 percent of the stadium design and construction costs through its affiliate SMC. During the year ended December 31, 2013, PDB contributed \$9,195,008 towards the cost of these upgrades. SMC performs the operation and management of the Stadium. As of December 31, 2013, the District's remaining commitment for these upgrades and improvements was \$279,455.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE (8) 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 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. During the year ended December 31, 2013, \$1,500,000 of the franchise lease payment was paid to this Reserve Fund.

Future minimum lease payments required under the agreement are as follows as of December 31, 2013:

| | Future minimum lease payments |
|------------|----------------------------------|
| 2014 | \$ 2,000,000 |
| 2015 | 2,000,000 |
| 2016 | 3,250,000 |
| 2017 | 3,250,000 |
| 2018 | 3,250,000 |
| Thereafter | 42,250,000 |
| | <u>\$ 56,000,000</u> |

NOTE (9) 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.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE (9) DONATED OFFICE SPACE (CONTINUED)

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

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

| | (Thousands) | | |
|--|-----------------|----------------------------|--------------------------------|
| | 2013 | | |
| | <u>Actual</u> | <u>Original Budget</u> | <u>(Under) Over Budget</u> |
| Resources (inflows): | | | |
| Investment income | \$ 35 | \$ 50 | \$ (15) |
| Franchise payments | 2,000 | 2,000 | - |
| Naming rights revenues | 3,202 | 3,202 | - |
| Renovation contributions | 9,195 | - | 9,195 |
| Other income, rent, parking, and events | 216 | 80 | 136 |
| Amounts available for appropriation | <u>14,648</u> | <u>5,332</u> | <u>9,316</u> |
| Charges to appropriations (outflows): | | | |
| Repairs and maintenance | 850 | 300 | 550 |
| Administrative costs | 219 | 165 | 54 |
| Professional service | 157 | 150 | 7 |
| Depreciation and amortization | <u>12,318</u> | <u>13,700</u> | <u>(1,382)</u> |
| Total charges to appropriations | <u>13,544</u> | <u>14,315</u> | <u>(771)</u> |
| Change in net assets | <u>\$ 1,104</u> | <u>\$ (8,983)</u> | <u>\$ 10,087</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 Colorado statutes.