METROPOLITAN FOOTBALL STADIUM DISTRICT

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Our discussion of the District’s financial performance provides an overview of our activities for 2018 and 2017, 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 three.

FINANCIAL HIGHLIGHTS

- The total current assets increased by $3.0 million or 11.1%. The increase was a result of an increase in cash accounts of $1.8 million and an increase in receivables of $1.2 million.

- The total fixed or capital assets decreased by $9.9 million or 3.4%. There were additions to capital assets of $2.4 million and decrease in capital assets of $12.3 million due to current year depreciation.

- The total investment in the Stadium project was $504 million through December 31, 2018. The 2018 additions included Wifi expansion, Ramps, Flooring, CO2 project, Drainage, Stair project, Scoreboard processing improvements, Gate 8 improvements, Audio/visual equipment and Control room equipment.

- The District’s naming rights agreement was assumed by the Denver Broncos in August 2016 due to the bankruptcy filing of Sports Authority, Inc. The District made an agreement with the Broncos to divide up the naming rights payments into four annual installments. During 2018, the District received $2.8 million which represented $1.9 million from the 2017 naming rights and $973,950 towards the 2018 naming rights. This resulted in the receivable from the Denver Broncos of $2.9 for the balance of the 2018 naming rights. The naming rights agreement provided 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 has a sublease agreement with RTD on Lot M parking. The lease agreement expires on August 31, 2043, unless extended or terminated earlier. Rents are paid in advance in September for the next 12 month period. The District receives 42.5% of the total lease payments, the remaining 57.5% is paid to SMC. In 2018, the District earned $130,290 from this lease.

- The District had $9.7 million restricted for capital repairs as of December 31, 2018. In 2012, the District expressed a goal of maintaining a minimum of $4 million in the capital reserve fund.

- The District’s accounts payable decreased by $1.0 million or 80.4%. This was due to a large payable amount in 2017 to the Stadium management company for improvements and repairs which was paid in January 2018.
METROPOLITAN FOOTBALL STADIUM DISTRICT
Management’s Discussion and Analysis
For the Year Ended December 31, 2018

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, 5 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.
## CONDENSED COMPARATIVE FINANCIAL INFORMATION (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue from Sports Authority Field at Mile High</strong></td>
<td>$ 7,852</td>
<td>$ 7,669</td>
</tr>
<tr>
<td>Investment income</td>
<td>353</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>8,205</td>
<td>7,759</td>
</tr>
<tr>
<td><strong>Operating expense:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,275</td>
<td>511</td>
</tr>
<tr>
<td>General and administrative</td>
<td>208</td>
<td>186</td>
</tr>
<tr>
<td>Professional services</td>
<td>291</td>
<td>176</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12,336</td>
<td>11,911</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>14,110</td>
<td>12,784</td>
</tr>
<tr>
<td><strong>Decreases in net position</strong></td>
<td>(5,905)</td>
<td>(5,025)</td>
</tr>
<tr>
<td><strong>Net position at beginning of year</strong></td>
<td>318,757</td>
<td>323,782</td>
</tr>
<tr>
<td><strong>Net position at end of year</strong></td>
<td>$ 312,852</td>
<td>$ 318,757</td>
</tr>
</tbody>
</table>

Total revenues for 2018 increased by $446,684 or 5.8% and total expenses increased by $1.3 million or 10.4%. The slight increase in revenues resulted from an increase in interest rates and interest income earned on cash accounts and the scheduled increase of naming rights income per the agreement. The increase in expenses resulted from an increase of legal expenses regarding potential ancillary development and easements, an increase in insurance expenses, an increase in depreciation expense as well as increased repairs and maintenance for the upkeep of the stadium.
CONDENSED STATEMENT OF NET POSITION (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 30,021</td>
<td>$ 27,023</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>283,173</td>
<td>293,109</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 313,194</strong></td>
<td><strong>$ 320,132</strong></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>$ 342</td>
<td>$ 1,374</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>342</strong></td>
<td><strong>1,374</strong></td>
</tr>
<tr>
<td><strong>Net position:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of debt</td>
<td>283,173</td>
<td>293,109</td>
</tr>
<tr>
<td>Restricted for TABOR</td>
<td>44</td>
<td>26</td>
</tr>
<tr>
<td>Restricted for capital improvements</td>
<td>9,701</td>
<td>6,524</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>19,934</td>
<td>19,099</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>312,852</strong></td>
<td><strong>318,758</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net position</strong></td>
<td><strong>$ 313,194</strong></td>
<td><strong>$ 320,132</strong></td>
</tr>
</tbody>
</table>

Activity in capital assets for 2018 is summarized as follows:

- Balance at beginning of year $ 293,109
- Plus - Wifi expansion, audio visual equipment, CO2 project, stair project, gate 8 improvements and scoreboard processing improvements. 2,400
- Less - current year depreciation (12,336)
- Balance at end of year $ 283,173
METROPOLITAN FOOTBALL STADIUM DISTRICT
Management’s Discussion and Analysis
For the Year Ended December 31, 2018

BUDGET COMPARISON (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2018 Actual (000s)</th>
<th>2018 Budget (000s)</th>
<th>(Under) Over Budget (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$ 353</td>
<td>$ 40</td>
<td>$ 313</td>
</tr>
<tr>
<td>Franchise payments</td>
<td>3,331</td>
<td>3,250</td>
<td>81</td>
</tr>
<tr>
<td>Naming rights revenue</td>
<td>3,895</td>
<td>3,895</td>
<td>-</td>
</tr>
<tr>
<td>Other lease revenue</td>
<td>130</td>
<td>125</td>
<td>5</td>
</tr>
<tr>
<td>Other income</td>
<td>496</td>
<td>220</td>
<td>276</td>
</tr>
<tr>
<td>Total revenue</td>
<td>8,205</td>
<td>7,530</td>
<td>675</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>203</td>
<td>150</td>
<td>53</td>
</tr>
<tr>
<td>Operating expense</td>
<td>5</td>
<td>10</td>
<td>(5)</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,275</td>
<td>400</td>
<td>875</td>
</tr>
<tr>
<td>Professional service</td>
<td>291</td>
<td>300</td>
<td>(9)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12,336</td>
<td>12,000</td>
<td>336</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>14,110</td>
<td>12,860</td>
<td>1,250</td>
</tr>
<tr>
<td>Total net revenue (loss)</td>
<td>$ (5,905)</td>
<td>$ (5,330)</td>
<td>$ (575)</td>
</tr>
</tbody>
</table>

Interest income was over budget due to increase in cash balances and interest rates earned. Repairs and maintenance expense was over budget because of additional stadium repairs needed to maintain the quality of the facility. Based on a review of the capital expenditures, it was determined that the expense for expansion joints should be considered a repair expense and not a capital expense as this is an ongoing expense to maintain the stadium. The depreciation was higher than the budgeted amount due to the asset additions during 2018 and the related depreciation on those items.
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, 2018, and the related notes to the financial statements, which comprise the basic financial statements as listed in the table of contents.

Managements’ 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.

Auditors’ 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 auditors’ 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 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, 2018, 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 V 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 26, 2019
ASSETS

Current unrestricted assets:
   Cash and cash equivalents                $ 17,206,711
   Other receivable                         191,862
   Naming rights receivable                2,921,850
   Total current unrestricted assets        20,320,423

Current restricted assets:
   Cash and cash equivalents                9,700,605
   Total current restricted assets          9,700,605

Capital assets:
   Building                                 396,339,071
   Stadium equipment                        47,130,725
   Land improvements                        27,763,504
   Art                                       327,500
   Furniture, fixtures and equipment        4,895
   Computers and equipment                  4,895
   Less: accumulated depreciation           (221,291,210)
   Net depreciable capital assets           250,285,980
   Land                                     32,887,325
   Total capital assets                     283,173,305

TOTAL ASSETS                                $ 313,194,333

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

(3)
METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

LIABILITIES AND NET POSITION

LIABILITIES
Current liabilities:
Accounts payable $ 252,810
Accrued expenses 88,885
Total current liabilities 341,695

Total Liabilities 341,695

NET POSITION
Invested in capital assets 283,173,305
Expendable restricted net positions -
  Restricted for TABOR 44,456
  Restricted for capital repairs 9,700,605
  Unrestricted 19,934,272

Total Net Position 312,852,638

TOTAL LIABILITIES AND NET POSITION $ 313,194,333

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)
(4)
Operating revenues:
- Naming rights revenue $3,895,800
- Franchise lease revenue 3,331,021
- Other lease revenue 130,290
- Events revenue 490,768
- Miscellaneous revenue 4,748
Total operating revenues 7,852,627

Operating expenses:
- Depreciation expense 12,335,550
- Repairs and maintenance 1,276,573
- General and administrative 207,888
- Professional services 290,662
Total operating expenses 14,110,673

Operating (loss) (6,258,046)

Non-Operating revenues (expenses):
- Interest income 353,298
Total non-operating revenues (expenses) 353,298

Change in net position (5,904,748)

Net Position - Beginning of Year 318,757,387
Net Position - End of Year $312,852,638
### METROPOLITAN FOOTBALL STADIUM DISTRICT
### STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED DECEMBER 31, 2018

**Cash Flows from Operating Activities**
- Receipts from naming rights: $2,845,514
- Receipts from franchise lease revenues: $3,331,021
- Receipts from special events revenues: $490,768
- Receipts from other lease revenues: $(53,786)
- Payments for operating: $(1,276,573)
- Payments for general and operating: $(206,975)
- Payments for professional services: $(1,326,292)

**Net cash provided by operating activities:** $3,803,677

**Cash Flows from Capital and Related Financing Activities**
- Purchases of capital assets: $(2,400,158)

**Net cash (used in) capital and related financing activities:** $(2,400,158)

**Cash Flows from Investing Activities**
- Interest received: $353,298

**Net cash provided by investing activities:** $353,298

**Net Increase in Cash and Cash Equivalents:** $1,756,817

**Cash and Cash Equivalents, Beginning of Year:** $25,150,499

**Cash and Cash Equivalents, End of Year:** $26,907,316

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)
METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Operating loss $ (6,258,046)

Adjustments to Reconcile Net Operating Income to Net
Cash Provided by Operating Activities

Depreciation expense 12,335,550

Changes in assets and liabilities -

(I)crease) in naming rights receivable (1,050,286)
(I)crease) in accounts receivable - other (191,862)
Decrease in prepaid expenses 913
(Decrease) in accounts payable (1,035,630)
Increase in accrued expenses 3,038

Net cash provided by operating activities $ 3,803,677

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

(7)
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
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.
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, franchise lease and other 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, investment income, and gain on sale of land and land improvements.

Subsequent events

The District evaluated subsequent events through June 26, 2019, 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.
NOTE (2)  CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2018, the District’s cash and cash equivalents included the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash - unrestricted</td>
<td>$17,206,711</td>
</tr>
<tr>
<td>Cash - restricted</td>
<td>$9,700,605</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26,907,316</strong></td>
</tr>
</tbody>
</table>

**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 Bank. As of December 31, 2018, the District held $26,659,909 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
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.

NOTE (3)  CAPITAL ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>Acquisitions</th>
<th>(Dispositions)</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$394,381,480</td>
<td>$1,957,591</td>
<td>$</td>
<td>$396,339,071</td>
</tr>
<tr>
<td>Stadium equipment</td>
<td>46,688,158</td>
<td>442,567</td>
<td></td>
<td>47,130,725</td>
</tr>
<tr>
<td>Land</td>
<td>32,887,325</td>
<td></td>
<td></td>
<td>32,887,325</td>
</tr>
<tr>
<td>Land improvements</td>
<td>27,763,504</td>
<td></td>
<td></td>
<td>27,763,504</td>
</tr>
<tr>
<td>Art</td>
<td>327,500</td>
<td></td>
<td></td>
<td>327,500</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>4,895</td>
<td></td>
<td></td>
<td>4,895</td>
</tr>
<tr>
<td>Equipment</td>
<td>11,495</td>
<td></td>
<td></td>
<td>11,495</td>
</tr>
<tr>
<td></td>
<td>502,064,357</td>
<td>2,400,158</td>
<td></td>
<td>504,464,515</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(208,955,660)</td>
<td>(12,335,550)</td>
<td></td>
<td>(221,291,210)</td>
</tr>
<tr>
<td>Total</td>
<td>$293,108,697</td>
<td>(9,935,392)</td>
<td>$</td>
<td>$283,173,305</td>
</tr>
</tbody>
</table>

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.

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.
NOTE (5)  TABOR AMENDMENT (CONTINUED)

of the Amendment and the reserve is reflected on the face of the financial statements. As of December 31, 2018, the District has restricted net position of $44,456 in compliance with the requirements of TABOR.

NOTE (6)  STADIUM NAMING RIGHTS

The District and INVESCO Funds Group entered into a Naming Rights Agreement pursuant to which 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. On August 19, 2011, the Stadium Naming Rights Agreement was transferred from INVESCO to TSA Stores Inc. (“Sports Authority”). All rights and responsibilities of the original agreement between INVESCO and the District were transferred to Sports Authority. On March 2, 2016, Sports Authority and its affiliates filed for bankruptcy in the matter In Re: Sports Authority, Inc. et. al., United States Bankruptcy Court for the District of Delaware, Case No. 16-10527. Pursuant to Order Authorizing the Debtors to Assume and Assign Stadium Naming Rights Contract to the Denver Broncos Pursuant to Section 365 of the Bankruptcy Code, effective August 18, 2016, The Denver Broncos assumed the Naming Rights Agreement and are responsible for payments under the Naming Rights Agreement. Cumulative through the year ended December 31, 2018, $51,290,830 had been received. As of December 31, 2018, the Denver Broncos owed $2,921,850, which is reflected as a receivable.

NOTE (7)  LEASE REVENUE AND LEASING COMMITMENTS

Franchise Lease Agreement

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
NOTE (7) LEASE REVENUE AND LEASING COMMITMENTS (CONTINUED)

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, 2018, $2,040,511 of the franchise lease payment was paid to this Reserve Fund.

Other Lease Agreement

Per a sublease agreement (the “Agreement”) dated September 1, 2013, the Stadium Management Company (SMC) leases to Regional Transportation District (RTD), a leasehold interest of real property. The Agreement commenced on September 1, 2013 and expires on August 31, 2043, unless extended or terminated earlier. In addition, RTD has an option to extend the terms of the Agreement, each for an additional fifteen year period on the same terms and conditions contained in the sublease agreement. The Agreement provides for the rent to be paid in advance, with the first annual payment due on or before November 1, 2013, and thereafter each annual payment shall be payable on or before the first day of each September. The initial rent for the first year of the sublease was $677,417. The annual rent shall be increased, on a cumulative basis as outlined in the Agreement. RTD has the right, on various dates, to reduce its use of Lot M and its payments, including on September 1, 2016. RTD agreed to reduce its’ parking spaces to 474 effective November 30, 2016. RTD, SMC and the District agreed that the rental payment for the period September 1, 2016 to August 31, 2017 would be $401,644 based on the partial year reduction. In future years, the rental payment will be reduced to $302,989 based on the reduced parking spaces, subject to the annual increases set forth in the Agreement. The Agreement also stipulates fifty-seven and one-half percent (57.5%) of each rent payment shall be paid by RTD to SMC, and the remaining forty-two and one-half percent (42.5%) of each rent payment shall be paid by RTD to the District.
NOTE (7) LEASE REVENUE AND LEASING COMMITMENTS (CONTINUED)

Future minimum lease payments required under the two agreements above are as follows as of December 31, 2018:

<table>
<thead>
<tr>
<th>Year</th>
<th>Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 3,543,907</td>
</tr>
<tr>
<td>2020</td>
<td>3,543,907</td>
</tr>
<tr>
<td>2021</td>
<td>3,543,907</td>
</tr>
<tr>
<td>2022</td>
<td>3,543,907</td>
</tr>
<tr>
<td>2023</td>
<td>3,543,907</td>
</tr>
<tr>
<td>Thereafter</td>
<td>31,818,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 49,537,675</strong></td>
</tr>
</tbody>
</table>

NOTE (8) 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 2015. 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.

NOTE (9) LITIGATION

The District is involved in various litigation matters which have arisen in the ordinary course of business. It is the opinion of management, based upon consultation with legal counsel, that these matters requires vigorous defense, pursuant to the agreement, SMC and PDB agreed to defend and indemnify the District on all these matters. Although the outcome of litigation cannot be predicted with certainty, the District expects its exposure will be limited because of the defense and indemnity by SMC and PDB.
NOTE (10) NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, Leases which outlines new requirements for governmental entities when it comes to lease accounting. GASBS No. 87 will require the District to establish a lease receivable equal to the present value of the expected payments over the lease term. As payments are received the lease receivable will be reduced and interest revenue recognized. Additionally, a deferred inflow will be recognized equal to the lease receivable and recognized as revenue in a systematic and rational manner over the life of the lease. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for the District’s financial statements for the year ended December 31, 2020. The District has not evaluated the impact due to the timing of implementation of this standard.
# METROPOLITAN FOOTBALL STADIUM DISTRICT

## Budgetary Comparison Schedule

Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>(in Thousands)</th>
<th>2018</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Original Budget</td>
<td>(Under) Over Budget</td>
</tr>
<tr>
<td>Resources (inflows):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$353</td>
<td>$40</td>
<td>$313</td>
</tr>
<tr>
<td>Franchise payments</td>
<td>3,331</td>
<td>3,250</td>
<td>81</td>
</tr>
<tr>
<td>Naming rights revenues</td>
<td>3,895</td>
<td>3,895</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous sublease revenues</td>
<td>130</td>
<td>125</td>
<td>5</td>
</tr>
<tr>
<td>Other income, rent, parking, and events</td>
<td>496</td>
<td>220</td>
<td>276</td>
</tr>
<tr>
<td>Amounts available for appropriation</td>
<td>8,205</td>
<td>7,530</td>
<td>675</td>
</tr>
<tr>
<td>Charges to appropriations (outflows):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative costs</td>
<td>203</td>
<td>150</td>
<td>53</td>
</tr>
<tr>
<td>Operating expense</td>
<td>5</td>
<td>10</td>
<td>(5)</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,276</td>
<td>400</td>
<td>876</td>
</tr>
<tr>
<td>Professional service</td>
<td>290</td>
<td>300</td>
<td>(10)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12,336</td>
<td>12,000</td>
<td>336</td>
</tr>
<tr>
<td><strong>Total charges to appropriations</strong></td>
<td>14,110</td>
<td>12,860</td>
<td>1,250</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>$ (5,905)</td>
<td>$ (5,330)</td>
<td>$ (575)</td>
</tr>
</tbody>
</table>

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.