

**METROPOLITAN FOOTBALL
STADIUM DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**



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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, 2016, 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

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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, 2016, 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 17 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 21, 2017

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Our discussion of the District's financial performance provides an overview of our activities for 2016 and 2015, 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 58.4% in 2016 or \$8.7 million. The increase was due to the funds received from the sale of the land parcel of \$6 million and the additional receivable of the naming rights revenue of \$1.8 million.
- The total fixed or capital assets decreased by 2.8% or \$8.8 million. There were additions to capital assets of \$4 million, dispositions of capital assets as a result of the land sale of \$1.8 million and decrease in capital assets of \$11 million due to current year depreciation.
- The total investment in the Stadium project was \$498 million through December 31, 2016. The 2016 additions included security upgrades, metal detectors, HVAC and lighting upgrades, Emergency DAS systems and field and track improvements.
- 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 installments. During 2016, the District received \$1.8 million of the total \$3.6 million due for the August naming rights installment. 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 received \$253,641 for the RTD sublease agreement 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.
- The District had \$4.8 million restricted for capital repairs as of December 31, 2016. In 2012, the District expressed a goal of maintaining a minimum of \$4 million in the capital reserve fund.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2016

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 are due to 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, 2016

CONDENSED COMPARATIVE FINANCIAL INFORMATION (in thousands)

	2016	2015
Operating Revenue from Sports Authority		
Field at Mile High	\$ 7,344	\$ 6,280
Non-operating revenue:		
Gain on sale of land and improvements	4,644	-
Investment income	18	17
Total revenue	12,006	6,297
Operating expense:		
Repairs and maintenance	138	18
General and administrative	162	168
Professional services	393	155
Depreciation and amortization	11,626	11,199
Total expenses	12,319	11,540
Decreases in net position	(313)	(5,243)
Net position at beginning of year	324,095	329,338
Net position at end of year	\$ 323,782	\$ 324,095

Operating revenues for 2016 increased by 1 million or 17%, and total revenues for 2016 increased by \$5.7 million or 90.7%, total expenses increased by \$759 thousand or 6.6%. The increase in revenue was as a result of the gain on the sale of the land and an increase in the Franchise lease revenue. The increase in expenses resulted from an increase in depreciation expense as well as increased professional fees for the land sale agreements.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2016

CONDENSED STATEMENT OF NET POSITION (in thousands):

	<u>2016</u>	<u>2015</u>
Current assets	\$ 23,621	\$ 14,913
Capital assets, net of accumulated depreciation	<u>300,662</u>	<u>309,421</u>
Total assets	<u>\$ 324,283</u>	<u>\$ 324,334</u>
Other current liabilities	<u>\$ 501</u>	<u>\$ 239</u>
Total liabilities	<u>501</u>	<u>239</u>
Net position:		
Invested in capital assets, net of debt	300,662	309,421
Restricted for TABOR	21	10
Restricted for capital improvements	4,863	4,701
Unrestricted	<u>18,236</u>	<u>9,963</u>
Total net position	<u>323,782</u>	<u>324,095</u>
Total liabilities and net position	<u>\$ 324,283</u>	<u>\$ 324,334</u>

Activity in capital assets for 2016 is summarized as follows:

Balance at beginning of year	\$ 309,421
Plus - security upgrades, HVAC upgrades, Emergency system upgrades and stadium equipment	4,222
Plus – reduction of accumulated depreciation on land sale	427
Less – sale of land parcel	(1,781)
Less - current year depreciation	<u>(11,627)</u>
Balance at end of year	<u>\$ 300,662</u>

METROPOLITAN FOOTBALL STADIUM DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2016

BUDGET COMPARISON (in thousands):

	2016 Actual (000s)	2016 Budget (000s)	(Under) Over Budget (000s)
Investment income	\$ 18	\$ 15	\$ 3
Franchise payments	3,250	3,250	-
Naming rights revenue	3,602	3,602	-
Gain on sale of land	4,644	-	4,644
Other lease revenue	253	285	(32)
Other income	238	220	18
Total revenue	<u>12,005</u>	<u>7,372</u>	<u>4,633</u>
Administrative costs	153	150	3
Operating expense	9	10	(1)
Repairs and maintenance	138	160	(22)
Professional service	392	245	147
Depreciation and amortization	11,626	11,000	626
Total expenditures	<u>12,318</u>	<u>11,565</u>	<u>753</u>
Total net revenue (loss)	<u>\$ (313)</u>	<u>\$ (4,193)</u>	<u>\$ 3,880</u>

Total revenue was \$4.6 million over budget because of the land sale. The sale of the land was not included in the budgeted revenue. The professional fees were higher than budgeted due to the additional legal expenses necessary for the sale of the land parcel. The depreciation was higher than the budgeted amount due to the asset additions during 2016 and the related depreciation on those items.

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

ASSETS

Current unrestricted assets:

Cash and cash equivalents	\$ 16,865,509
Prepaid expenses and other assets	913
Naming rights receivable	1,800,264
Accounts receivable - other	91,624
Total current unrestricted assets	<u>18,758,310</u>

Current restricted assets:

Cash and cash equivalents	<u>4,862,726</u>
Total current restricted assets	<u>4,862,726</u>

Capital assets:

Building	390,284,433
Stadium equipment	46,742,315
Land improvements	27,449,262
Art	327,500
Furniture, fixtures and equipment	4,895
Computers and equipment	11,495
Less: accumulated depreciation	<u>(197,044,809)</u>
Total depreciable capital assets	267,775,091
Land	32,887,325
Total capital assets	<u>300,662,416</u>

TOTAL ASSETS \$ 324,283,452

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities:	
Accounts payable	\$ 500,890
Total current liabilities	<u>500,890</u>
 Total Liabilities	 <u>500,890</u>

NET POSITION

Invested in capital assets	300,662,416
Expendable restricted net positions	
Restricted for TABOR	20,783
Restricted for capital repairs	4,862,726
Unrestricted	<u>18,236,637</u>
 Total Net Position	 <u>323,782,562</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 324,283,452</u>
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(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, 2016

Operating revenues:

Naming rights revenue	\$ 3,601,890
Franchise lease revenue	3,250,000
Other lease revenue	253,639
Events revenue	238,514
Total operating revenues	<u>7,344,043</u>

Operating expenses:

Depreciation expense	11,626,183
Repairs and maintenance	138,135
General and administrative	162,172
Professional services	392,472
Total operating expenses	<u>12,318,962</u>

Operating (loss) (4,974,919)

Non-Operating revenues (expenses):

Gain(loss) on sale of land and land improvements	4,644,349
Interest income	<u>17,785</u>
Total non-operating revenues (expenses)	<u>4,662,134</u>

Change in net position (312,785)

Net Position - Beginning of Year	<u>324,095,347</u>
Net Position - End of Year	<u>\$ 323,782,562</u>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities	
Receipts from naming rights	\$ 1,801,626
Receipts from franchise lease revenues	3,250,000
Receipts from special events revenues	204,469
Payments for operating	(138,135)
Payments for general and operating	(162,777)
Payments for professional services	<u>(338,728)</u>
Net cash provided by operating activities	<u>4,616,455</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	5,999,449
Purchases of capital assets	<u>(3,817,477)</u>
Net cash provided by capital and related financing activities	<u>2,181,972</u>
Cash Flows from Investing Activities	
Interest received	<u>17,785</u>
Net cash provided by investing activities	<u>17,785</u>
Net Increase in Cash and Cash Equivalents	6,816,212
Cash and Cash Equivalents, Beginning of Year	<u>14,912,023</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,728,235</u>
Cash balance as disclosed in the statement of net position	
Unrestricted cash and cash equivalents	\$ 16,865,509
Restricted cash and cash equivalents	<u>4,862,726</u>
Total cash and cash equivalents	<u>\$ 21,728,235</u>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Operating loss	\$ (4,974,919)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	11,626,183
Changes in assets and liabilities -	
(Increase) in naming rights receivable	(91,624)
(Increase) in accounts receivable - other	(1,800,264)
Decrease in prepaid expenses	77
Increase in accounts payable	53,744
(Decrease) in accrued expenses	<u>(196,741)</u>
Net cash provided by operating activities	<u>\$ 4,616,456</u>

(SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS)

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

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, 2016

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 21, 2017, 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, 2016

NOTE (2) CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the District's cash and cash equivalents included the following:

Cash - unrestricted	\$ 16,865,509
Cash - restricted	<u>4,862,726</u>
	<u>\$ 21,728,235</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 Bank. As of December 31, 2016, the District held \$21,481,915 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, 2016

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:

	December 31, 2015	Acquisitions	(Dispositions)	December 31, 2016
Building	\$ 386,305,177	\$ 3,979,256	\$	\$ 390,284,433
Stadium equipment	46,499,049	243,266		46,742,315
Land	33,833,235		(945,910)	32,887,325
Land improvements	28,284,104		(834,842)	27,449,262
Art	327,500			327,500
Furniture and fixtures	4,895			4,895
Equipment	11,495			11,495
	<u>495,265,455</u>	<u>4,222,522</u>	<u>(1,780,752)</u>	<u>497,707,225</u>
Less:				
accumulated depreciation	(185,844,277)	(11,628,383)	427,851	(197,044,809)
Total	<u>\$ 309,421,178</u>	<u>\$ (7,405,861)</u>	<u>\$ (1,352,901)</u>	<u>\$ 300,662,416</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.

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

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE (5) TABOR AMENDMENT (CONTINUED)

of the Amendment and the reserve is reflected on the face of the financial statements. As of December 31, 2016, the District has restricted net position of \$20,783 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. During the year ended December 31, 2016, \$41,137,190 had been received.

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 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

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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, 2016, \$2,000,000 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 \$293,907 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.

METROPOLITAN FOOTBALL STADIUM DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016:

	Future minimum lease payments
2017	\$ 3,537,902
2018	3,537,902
2019	3,537,902
2020	3,537,902
2021	3,537,902
Thereafter	38,833,849
	\$ 56,523,359

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 a litigation matter which has arisen in the ordinary course of business. It is the opinion of management, based upon consultation with legal counsel, that this matter requires vigorous defense. Although the outcome of litigation cannot be predicted with certainty, the District expects to prevail.

METROPOLITAN FOOTBALL STADIUM DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2016

	(in Thousands)		
	2016		
	Actual	Original Budget	(Under) Over Budget
Resources (inflows):			
Interest income	\$ 18	\$ 15	\$ 3
Franchise payments	3,250	3,250	-
Naming rights revenues	3,602	3,602	-
Miscellaneous sublease revenues	254	285	(31)
Gain on sale of land and land improvements	4,644	-	4,644
Other income, rent, parking, and events	239	220	19
Amounts available for appropriation	12,007	7,372	4,635
Charges to appropriations (outflows):			
Repairs and maintenance	138	160	(22)
General and administrative	162	160	2
Professional service	393	245	148
Depreciation	11,626	11,000	626
Total charges to appropriations	12,319	11,565	754
Change in net assets	\$ (312)	\$ (4,193)	\$ 3,881

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.