

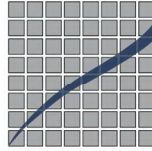
**STADIUM METROPOLITAN DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

**STADIUM METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2022**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stadium Metropolitan District
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Stadium Metropolitan District ("District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it

exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 28, 2023

BASIC FINANCIAL STATEMENTS

**STADIUM METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 166,763 |
| Cash and Investments - Restricted | 92,558 |
| Accounts Receivable - Concessions | 12,458 |
| Accounts Receivable - PIF | 5,881 |
| Lease Receivable | 133,827 |
| Capital Assets, Not Being Depreciated | 4,036,563 |
| Capital Assets, Net of Depreciation | <u>32,230,403</u> |
| Total Assets | <u>36,678,453</u> |
| LIABILITIES | |
| Accounts Payable | 106,597 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | <u>12,730,367</u> |
| Total Liabilities | <u>12,836,964</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Lease Revenue | <u>130,539</u> |
| Total Deferred Inflows of Resources | <u>130,539</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 25,517,387 |
| Restricted for: | |
| Emergency Reserves | 20,400 |
| Unrestricted | <u>(1,826,837)</u> |
| Total Net Position | <u><u>\$ 23,710,950</u></u> |

See accompanying Notes to Basic Financial Statements.

**STADIUM METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

| | | | Program Revenues | | | |
|---|----------------------------|--|--|-------------|-------------------|---|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | | Net Revenues (Expenses) and Change in Net Position |
| FUNCTIONS/PROGRAMS | | | | | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 2,231,281 | \$ - | \$ 175,408 | \$ - | | \$ (2,055,873) |
| Interest and Related Costs on Long-Term Debt | 884,485 | - | - | - | | (884,485) |
| | <u>\$ 3,115,766</u> | <u>\$ -</u> | <u>\$ 175,408</u> | <u>\$ -</u> | | <u>(2,940,358)</u> |
| Total Governmental Activities | | | | | | |
| | | | | | | |
| GENERAL REVENUES | | | | | | |
| PIF Revenue | | | | | 167,003 | |
| Concessions | | | | | 492,854 | |
| Interest Income | | | | | 10,774 | |
| Total General Revenues | | | | | <u>670,631</u> | |
| | | | | | | (2,269,727) |
| CHANGE IN NET POSITION | | | | | | |
| Net Position - Beginning of Year | | | | | <u>25,980,677</u> | |
| NET POSITION - END OF YEAR | | | | | | <u>\$ 23,710,950</u> |

See accompanying Notes to Basic Financial Statements.

**STADIUM METROPOLITAN DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

| | General | Capital Projects | Total Governmental Funds |
|--------------------------------------|-------------------|---------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 166,763 | \$ - | \$ 166,763 |
| Cash and Investments - Restricted | 60,188 | 32,370 | 92,558 |
| Accounts Receivable - Concessions | 12,458 | - | 12,458 |
| Accounts Receivable - PIF | 5,881 | - | 5,881 |
| | <u>\$ 245,290</u> | <u>\$ 32,370</u> | <u>\$ 277,660</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 106,597 | \$ - | \$ 106,597 |
| Total Liabilities | <u>106,597</u> | <u>-</u> | <u>106,597</u> |
| FUND BALANCES | | | |
| Restricted for: | | | |
| TABOR | 20,400 | - | 20,400 |
| Repairs and Maintenance | 39,788 | - | 39,788 |
| Assigned to: | | | |
| Subsequent Year's Expenditures | 68,847 | - | 68,847 |
| Unassigned | 9,658 | 32,370 | 42,028 |
| Total Fund Balances | <u>138,693</u> | <u>32,370</u> | <u>171,063</u> |
| Total Liabilities and Fund Balances | <u>\$ 245,290</u> | <u>\$ 32,370</u> | |

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Net 36,266,966

Long-term liabilities, including Developer advances payable are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred Lease Revenue (130,539)

Developer Advance Payable (11,199,079)

Accrued Interest Payable - Developer Advance (1,531,288)

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Lease Receivable 133,827

Net Position of Governmental Activities \$ 23,710,950

See accompanying Notes to Basic Financial Statements.

**STADIUM METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

| | General | Capital Projects | Total Governmental Funds |
|---|-------------------|---------------------|--------------------------------|
| REVENUES | | | |
| PIF Revenue | \$ 179,003 | \$ - | \$ 179,003 |
| Concessions | 492,854 | - | 492,854 |
| Other Revenue | 5,362 | 165,532 | 170,894 |
| Total Revenues | <u>677,219</u> | <u>165,532</u> | <u>842,751</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Accounting | 26,927 | - | 26,927 |
| Auditing | 4,425 | - | 4,425 |
| Dues and Licenses | 1,091 | - | 1,091 |
| Legal Services | 8,730 | - | 8,730 |
| Election Expense | 18 | - | 18 |
| Miscellaneous | 1,875 | - | 1,875 |
| Banking Fees | 313 | - | 313 |
| Repairs and Maintenance | 75,919 | - | 75,919 |
| Small Equipment Expense | 12,223 | 72,040 | 84,263 |
| Utilities | 230,881 | - | 230,881 |
| Software | 23,429 | - | 23,429 |
| Computer and Internet | 112,744 | - | 112,744 |
| General Liability Insurance | 45,483 | - | 45,483 |
| Events | 1,056 | - | 1,056 |
| Trash Removal | 15,382 | - | 15,382 |
| Event Expense - Cleaning | 66,590 | - | 66,590 |
| Event Subcontracted Services - Ambulance/Medical | 310 | - | 310 |
| Event Subcontracted Services - Parking | 40,530 | - | 40,530 |
| Event Subcontracted Services - Security | 2,340 | - | 2,340 |
| Maintenance Supplies | 29,152 | - | 29,152 |
| Stadium Operating Expenses - Other | 7,114 | - | 7,114 |
| Capital Outlay: | | | |
| Capital Outlay | - | 149,500 | 149,500 |
| Total Expenditures | <u>706,532</u> | <u>221,540</u> | <u>928,072</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (29,313) | (56,008) | (85,321) |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 50,000 | 130,000 | 180,000 |
| Repay Developer Advance | (50,000) | (248,889) | (298,889) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(118,889)</u> | <u>(118,889)</u> |
| NET CHANGE IN FUND BALANCES | (29,313) | (174,897) | (204,210) |
| Fund Balances - Beginning of Year | <u>168,006</u> | <u>207,267</u> | <u>375,273</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 138,693</u> | <u>\$ 32,370</u> | <u>\$ 171,063</u> |

See accompanying Notes to Basic Financial Statements.

**STADIUM METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ (204,210)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

| | |
|----------------------|-------------|
| Capital Outlay | 149,500 |
| Depreciation Expense | (1,452,709) |

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|---------------------------|-----------|
| Developer Advances | (180,000) |
| Developer Advance Payment | 298,889 |

Some revenues reported in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as revenues in governmental funds:

| | |
|---------------|-------|
| Lease Revenue | 3,288 |
|---------------|-------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|---|------------------|
| Accrued Interest on Developer Advance - Change in Liability | <u>(884,485)</u> |
|---|------------------|

| | |
|---|------------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ (2,269,727)</u></u> |
|---|------------------------------|

**STADIUM METROPOLITAN DISTRICT
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------------------|-------------------|---|
| REVENUES | | | |
| PIF Revenue | \$ 221,000 | \$ 179,003 | \$ (41,997) |
| Concessions | 465,000 | 492,854 | 27,854 |
| Hospitality | 46,000 | - | (46,000) |
| Other Revenue | - | 5,362 | 5,362 |
| Total Revenues | <u>732,000</u> | <u>677,219</u> | <u>(54,781)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Accounting | 39,000 | 26,927 | 12,073 |
| Auditing | 4,500 | 4,425 | 75 |
| Dues and Licenses | 1,700 | 1,091 | 609 |
| Legal Services | 16,500 | 8,730 | 7,770 |
| Election Expense | - | 18 | (18) |
| Miscellaneous | - | 1,875 | (1,875) |
| Banking Fees | 500 | 313 | 187 |
| Repairs and Maintenance | 128,500 | 75,919 | 52,581 |
| Small Equipment Expense | - | 12,223 | (12,223) |
| Utilities | 216,000 | 230,881 | (14,881) |
| Software | 45,800 | 23,429 | 22,371 |
| Computer and Internet | 143,800 | 112,744 | 31,056 |
| General Liability Insurance | 42,265 | 45,483 | (3,218) |
| Events | 13,000 | 1,056 | 11,944 |
| Trash Removal | - | 15,382 | (15,382) |
| Event Expense - Cleaning | 79,000 | 66,590 | 12,410 |
| Event Subcontracted Services - Ambulance/Medical | - | 310 | (310) |
| Event Subcontracted Services - Parking | 27,000 | 40,530 | (13,530) |
| Event Subcontracted Services - Security | 11,100 | 2,340 | 8,760 |
| Maintenance Supplies | 19,000 | 29,152 | (10,152) |
| Stadium Operating Expenses - Signage | 1,000 | - | 1,000 |
| Stadium Operating Expenses - Other | 12,000 | 7,114 | 4,886 |
| Contingency | 5,100 | - | 5,100 |
| Total Expenditures | <u>805,765</u> | <u>706,532</u> | <u>99,233</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (73,765) | (29,313) | 44,452 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 75,000 | 50,000 | (25,000) |
| Repay Developer Advance | - | (50,000) | (50,000) |
| Total Other Financing Sources (Uses) | <u>75,000</u> | <u>-</u> | <u>(75,000)</u> |
| NET CHANGE IN FUND BALANCES | 1,235 | (29,313) | (30,548) |
| Fund Balance - Beginning of Year | <u>228,395</u> | <u>168,006</u> | <u>(60,389)</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 229,630</u> | <u>\$ 138,693</u> | <u>\$ (90,937)</u> |

See accompanying Notes to Basic Financial Statements.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 DEFINITION OF REPORTING ENTITY

Stadium Metropolitan District (the District), a quasi-municipal corporation, was organized by ordinance of the city of Colorado Springs (the City) on November 20, 2019 and is governed pursuant to provisions of the Colorado Business Improvement Act (Title 31). The District's service area is located entirely within the City in El Paso County, Colorado. The District was organized to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the public improvements within the boundaries of the District, to be more specifically defined in the Development Plan.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected 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 has no employees, and all operations and administrative functions are contracted.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2022.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Leases

The District determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the District's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The District has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

Significant lease terms are disclosed in Note 4.

The District accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

| | |
|----------------------------------|----------|
| Equipment | 5 Years |
| Signs and Graphics | 10 Years |
| Field Turf | 10 Years |
| Lighting | 10 Years |
| Stadium – Capital Infrastructure | 30 Years |

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|-------------------|
| Cash and Investments | \$ 166,763 |
| Cash and Investments - Restricted | 92,558 |
| Total Cash and Investments | <u>\$ 259,321</u> |

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2022 consist of the following:

| | |
|--------------------------------------|--------------------------|
| Deposits with Financial Institutions | <u>\$ 259,321</u> |
| Total Cash and Investments | <u><u>\$ 259,321</u></u> |

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022, the District's cash deposits had a bank balance of \$301,676 and carrying balance of \$259,321.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2022, the District had no investments.

NOTE 4 LEASES

The District leases certain areas of the stadium facility to a related party (see Note 8), and a related lease receivable and deferred inflow have been recorded. The lease provides for minimum annual lease payments of \$12,000 through December 31, 2051.

During the year ended December 31, 2022, the District recognized \$4,514 and \$10,774 in lease revenue and interest revenue, respectively, pursuant to the contracts.

Total future minimum lease payments to be received under the lease agreement are as follows:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> | | <u>Total</u> |
|-------------------------------------|--------------------------------|-------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2023 | \$ 1,294 | \$ 10,706 | \$ 12,000 |
| 2024 | 1,367 | 10,633 | 12,000 |
| 2025 | 1,507 | 10,493 | 12,000 |
| 2026 | 1,627 | 10,373 | 12,000 |
| 2027 | 1,757 | 10,243 | 12,000 |
| 2028-2032 | 11,069 | 48,931 | 60,000 |
| 2033 and Thereafter | 115,205 | 112,795 | 228,000 |
| Total Minimum Lease Payments | \$ 133,827 | \$ 214,173 | \$ 348,000 |

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

| | Balance - December 31, 2021 | Increases | Decreases | Balance - December 31, 2022 |
|--|-----------------------------------|-----------------------|-------------|-----------------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Sculpture | \$ 4,036,563 | \$ - | \$ - | \$ 4,036,563 |
| Total Capital Assets, Not Being Depreciated | 4,036,563 | - | - | 4,036,563 |
| Capital Assets, Being Depreciated: | | | | |
| Signs and Graphics | 1,735,478 | - | - | 1,735,478 |
| Field Turf | 796,211 | - | - | 796,211 |
| Lighting | 454,500 | - | - | 454,500 |
| Equipment | 612,076 | - | - | 612,076 |
| Stadium - Capital Infrastructure | 30,950,254 | 149,500 | - | 31,099,754 |
| Total Capital Assets, Being Depreciated | 34,548,519 | 149,500 | - | 34,698,019 |
| Less Accumulated Depreciation For: | | | | |
| Signs and Graphics | 121,246 | 173,548 | - | 294,794 |
| Field Turf | 55,626 | 79,621 | - | 135,247 |
| Lighting | 31,753 | 45,450 | - | 77,203 |
| Equipment | 85,523 | 122,415 | - | 207,938 |
| Stadium - Capital Infrastructure | 720,759 | 1,031,675 | - | 1,752,434 |
| Total Accumulated Depreciation | 1,014,907 | 1,452,709 | - | 2,467,616 |
| Total Capital Assets, Being Depreciated, Net | 33,533,612 | (1,303,209) | - | 32,230,403 |
| Governmental Activities Capital Assets, Net | <u>\$ 37,570,175</u> | <u>\$ (1,303,209)</u> | <u>\$ -</u> | <u>\$ 36,266,966</u> |

Depreciation expense was charged to functions/programs of the District as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General Government | \$ 1,452,709 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,452,709</u> |

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

| | Balance - December 31, 2021 | Additions | Retirements | Balance - December 31, 2022 | Due Within One Year |
|---|-----------------------------------|---------------------|-------------------|-----------------------------------|------------------------|
| Developer Advances - Operations | \$ 399,500 | \$ 50,000 | \$ - | \$ 449,500 | \$ - |
| Accrued Interest: Developer Advances - Operations | 31,837 | 34,919 | 50,000 | 16,756 | - |
| Developer Advances - Capital | 10,619,579 | 130,000 | - | 10,749,579 | - |
| Accrued Interest: Developer Advances - Capital | 913,855 | 849,566 | 248,889 | 1,514,532 | - |
| Total | <u>\$ 11,964,771</u> | <u>\$ 1,064,485</u> | <u>\$ 298,889</u> | <u>\$ 12,730,367</u> | <u>\$ -</u> |

Authorized Debt

On November 4, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$640,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized November 4, 2019 Election | Remaining at December 31, 2022 |
|------------------------------|--|--------------------------------------|
| Water | \$ 40,000,000 | \$ 40,000,000 |
| Sanitation | 40,000,000 | 40,000,000 |
| Streets | 40,000,000 | 40,000,000 |
| Traffic and Safety | 40,000,000 | 40,000,000 |
| Parks and Recreation | 40,000,000 | 40,000,000 |
| Public Transportation | 40,000,000 | 40,000,000 |
| Television Relay/Translation | 40,000,000 | 40,000,000 |
| Mosquito Control | 40,000,000 | 40,000,000 |
| Security | 40,000,000 | 40,000,000 |
| Business Recruitment | 40,000,000 | 40,000,000 |
| Fire Protection/Medical | 40,000,000 | 40,000,000 |
| Operations/Maintenance | 40,000,000 | 40,000,000 |
| Special Assessment | 40,000,000 | 40,000,000 |
| Revenue Debt | 40,000,000 | 40,000,000 |
| Debt Refunding | 40,000,000 | 40,000,000 |
| Reimbursement Agreements | 40,000,000 | 40,000,000 |
| Total | <u>\$ 640,000,000</u> | <u>\$ 640,000,000</u> |

As set forth in the District's 2019 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$40,000,000 without further approval by the City.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District has entered into Funding and Reimbursement Agreements with the Switchbacks FC (Developer) as follows:

Funding and Reimbursement Agreement – Capital and Operations and Maintenance Costs

On November 22, 2019, the District entered into a Reimbursement Agreement (the Agreement) with the Developer. The Developer has agreed to advance funds to fund the cost of operations, maintenance, and capital projects. The District shall from time to time determine the amount of revenue required to fund budgeted expenditures by the District and request from the Developer an advance. Such advances include an interest rate of 8.00% per annum and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. As of December 31, 2022, outstanding principal for operating advances totaled \$449,500 and accrued interest due totaled \$16,756. As of December 31, 2022, outstanding principal for capital costs advances totaled \$10,749,579 and accrued interest due totaled \$1,514,532.

NOTE 7 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022, the District had net investment in capital assets calculated as follows:

| | |
|---|----------------------|
| Net Investment in Capital Assets: | |
| Capital Assets, Net | \$ 36,266,966 |
| Noncurrent Portion of Long-Term Obligations | <u>(10,749,579)</u> |
| Net Investment in Capital Assets | <u>\$ 25,517,387</u> |

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2022 as follows:

| | |
|-------------------------------|------------------|
| Restricted Net Position: | |
| Emergency Reserves | \$ 20,400 |
| Capital Projects | <u>207,267</u> |
| Total Restricted Net Position | <u>\$ 20,400</u> |

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of debt obligations.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 RELATED PARTIES

The Developer of the property which constitutes the District is Colorado Springs Switchbacks FC. Certain members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 9 AGREEMENTS AND COMMITMENTS

Levy Premium Foodservice, LLP

On May 20, 2020, the District entered into an Agreement for the management and operation of the functions of the Stadium and to exclusively oversee the food and beverage concessions and catering services at the Stadium for a period of 12 years with Levy Premium Foodservice, LLP (the Manager). Under the agreement, the Manager agrees to pay the District defined percentages of gross receipts generated in the food and beverage areas during each contract year through the end of the agreement in May 2032. Additionally, the District will create a restricted repair and maintenance account equal to 1% of Gross receipts provided by the Manager during each contract year.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

**STADIUM METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2022, the District had provided but did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

At an election held on November 4, 2019, the voters approved an annual increase in taxes of up to \$10,000,000 at a mill levy rate without limitation or with such limitations as may be determined by the Board for the purpose of the District's operations, maintenance, and other expenses. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20 of the Colorado constitution.

SUPPLEMENTARY INFORMATION

**STADIUM METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------|------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Other Revenue | \$ - | \$ 208,012 | \$ 165,532 | \$ (42,480) |
| Total Revenues | - | 208,012 | 165,532 | (42,480) |
| EXPENDITURES | | | | |
| General and Administrative: | | | | |
| Banking Fees | 150 | - | - | - |
| Small Equipment Expense | 25,000 | 72,040 | 72,040 | - |
| Contingency | 74,850 | 74,850 | - | 74,850 |
| Capital | | | | |
| Capital Outlay | 200,000 | 299,500 | 149,500 | 150,000 |
| Total Expenditures | 300,000 | 446,390 | 221,540 | 224,850 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (300,000) | (238,378) | (56,008) | 182,370 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | 78,675 | 280,000 | 130,000 | (150,000) |
| Repay Developer Advance | - | (248,889) | (248,889) | - |
| Total Other Financing Sources (Uses) | 78,675 | 31,111 | (118,889) | (150,000) |
| NET CHANGE IN FUND BALANCE | (221,325) | (207,267) | (174,897) | 32,370 |
| Fund Balance - Beginning of Year | 221,325 | 207,267 | 207,267 | - |
| FUND BALANCE - END OF YEAR | \$ - | \$ - | \$ 32,370 | \$ 32,370 |