

**NEW ISSUE  
BOOK-ENTRY ONLY  
BANK QUALIFIED**

**RATING: Moody's: "Aa2"  
See "RATING"**

*In the opinion of Butler Snow LLP, Special Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming continuous compliance with certain representations and continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease (as defined herein) and paid as interest on the Certificates (as defined herein) is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the "Tax Code"), interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations and is excludable from State of Colorado (the "State") taxable income and State alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates, as described herein. See "TAX MATTERS."*

**\$6,350,000**

## **CERTIFICATES OF PARTICIPATION, SERIES 2023**

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an  
Annually Renewable Lease Purchase Agreement dated as of April 26, 2023,  
between UMB Bank, N.A., solely in its capacity as trustee under the Indenture, as lessor, and THE  
TOWN OF FRISCO, COLORADO, as lessee**

**Dated: Date of Delivery**

**Due: December 1, as shown herein**

The Certificates of Participation, Series 2023 (the "*Certificates*") evidence a proportionate interest in the base rentals and certain other revenues under an annually renewable Lease Purchase Agreement dated as of April 26, 2023 (the "Lease"), entered into between UMB Bank, N.A., solely in its capacity as trustee (the "*Trustee*") under the Indenture (as defined below), as lessor, and the Town of Frisco, Colorado, as lessee (the "*Town*"). The Certificates are being executed and delivered pursuant to an Indenture of Trust dated as of April 26, 2023 (the "Indenture"), executed and delivered by the Trustee.

The Certificates are issued as fully registered certificates in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"), which is acting as the securities depository for the Certificates. Purchases of the Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Certificates. See "THE CERTIFICATES--Book-Entry Only System." The Certificates bear interest at the rates set forth herein, payable on June 1 and December 1 of each year, commencing on December 1, 2023, to and including the maturity dates shown herein (unless the Certificates are redeemed earlier), payable to the registered owner of the Certificates, initially Cede & Co. The principal of the Certificates will be payable upon presentation and surrender at the Trustee. See "THE CERTIFICATES."

**The maturity schedule for the Certificates appears on the inside cover page of this Official Statement.**

The Certificates are subject to redemption prior to maturity at the option of the Town and are also subject to mandatory sinking fund redemption as described in "THE CERTIFICATES--Redemption Provisions." *The Certificates are also subject to extraordinary mandatory redemption upon the occurrence of certain events, including an Event of Nonappropriation or an Event of Lease Default, as described in "THE CERTIFICATES--Redemption Provisions - Extraordinary Redemption upon the Occurrence of Certain Events."*

The Certificates will be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(c) of the Code.

The proceeds from the issuance of the Certificates will be used to: (i) finance the acquisition, construction, installation, equipping of for rent workforce housing on the Leased Property (defined herein), including any legally permitted costs and expenditures in connection therewith; and (ii) pay the costs of issuing the Certificates. See "SOURCES AND USES OF FUNDS."

**Neither the Lease nor the Certificates constitute a general obligation, a multiple fiscal year direct or indirect debt or other financial obligation or indebtedness of the Town within the meaning of any constitutional or statutory debt limitation. None of the Lease, the Indenture or the Certificates directly or indirectly obligates the Town to make any payments beyond those appropriated for any fiscal year in which the Lease may be in effect. Except to the extent payable from the proceeds of the Certificates and income from the investment thereof, from certain Net Proceeds (defined herein), including the net proceeds from exercising certain remedies under the Lease or from other amounts made available under the Indenture, the Certificates are payable during the lease term solely from Base Rentals payable to the Trustee under the Lease and the income from certain investments under the Indenture. All payment obligations of the Town under the Lease are from year to year only. The Lease is subject to annual renewal by the Town. Upon termination of the Lease, the Certificates will be payable solely from moneys, if any, held by the Trustee under the Indenture and any amounts resulting from the exercise of various remedies by the Trustee under the Site Lease, the Lease and the Indenture, all as more fully described herein.**

**This cover page contains certain information for quick reference only. It is *not* a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."**

The Certificates are offered when, as, and if issued, subject to the approval of validity by Butler Snow LLP, Denver, Colorado, Special Counsel, and certain other conditions. Butler Snow LLP also has acted as special counsel to the Town in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the Town by the Town Attorney, Murray Dahl Berry & Renaud LLP, Lakewood, Colorado. Stradling, Yocca, Carlson & Rauth, P.C., Denver, Colorado, is acting as counsel to the Underwriter. It is expected that the Certificates will be available for delivery through the facilities of DTC on or about April 26, 2023.

**STIFEL**

**Official Statement dated April 12, 2023**

**MATURITY SCHEDULE**  
**(CUSIP® 6-digit issuer number: 35876P)**

**\$6,350,000**

**CERTIFICATES OF PARTICIPATION, SERIES 2023**

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an  
Annually Renewable Lease Purchase Agreement dated as of April 26, 2023,  
Between UMB Bank, N.A., solely in its capacity as trustee under the Indenture, as lessor,  
and THE TOWN OF FRISCO, COLORADO, as lessee**

Maturing (December 1)	Principal <u>Amount</u>	Interest <u>Rate</u>	Yield	CUSIP® Issue <u>Number</u>
2023	\$120,000	5.000%	2.71%	35876PBN0
2024	205,000	5.000	2.76	35876PBP5
2025	215,000	5.000	2.68	35876PBQ3
2026	225,000	5.000	2.62	35876PBR1
2027	235,000	5.000	2.60	35876PBS9
2028	250,000	5.000	2.61	35876PBT7
2029	260,000	5.000	2.64	35876PBU4
2030	275,000	5.000	2.65	35876PBV2
2031	290,000	5.000	2.73	35876PBW0
2032	300,000	5.000	2.78	35876PBX8
2033	315,000	5.000	2.85	35876PBY6

\$680,000 5.00% Term Bond Due December 1, 2035 Yield 3.07%\* CUSIP 35876PBZ3

\$750,000 5.00% Term Bond Due December 1, 2037 Yield 3.38%\* CUSIP 35876PCA7

\$830,000 5.00% Term Bond Due December 1, 2039 Yield 3.54%\* CUSIP 35876PCB5

\$1,400,000 5.00% Term Bond Due December 1, 2042 Yield 3.71%\* CUSIP 35876PCC3

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\* Priced to first call date December 1, 2033

## **USE OF INFORMATION IN THIS OFFICIAL STATEMENT**

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the Town. The Town maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision.

The information set forth in this Official Statement has been obtained from the Town and from the sources referenced throughout this Official Statement, which the Town believes to be reliable. No representation is made by the Town, however, as to the accuracy or completeness of information provided from sources other than the Town. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the Town, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

**THE PRICES AT WHICH THE CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE CERTIFICATES, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**TOWN OF FRISCO, COLORADO**

**Mayor and Town Council**

Hunter Mortensen, Mayor  
Rick Ihnken, Mayor Pro-Tem  
Jessica Burley  
Andrew Aerenson  
Andy Held  
Elizabeth Skrzypczak-Adrian  
Lisa Holenko

**Town Administrative Officials**

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Leslie Edwards, Director of Finance  
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Stradling Yocca Carlson & Rauth, P.C.  
Denver, Colorado

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NOTE: Tables marked with an (°) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2 12, as amended. See Appendix D - Form of Continuing Disclosure Certificate.

The information to be updated may be reported in any format chosen by the Town; it is not required that the format reflected in this Official Statement be used in future years. The budget information in the General Fund history table is to be satisfied with the current year budget information found in the CAFR; no budget information for future years need be provided.

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## OFFICIAL STATEMENT

**\$6,350,000**

### CERTIFICATES OF PARTICIPATION, SERIES 2023

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an  
Annually Renewable Lease Purchase Agreement dated as of April 26, 2023,  
between UMB Bank, N.A., solely in its capacity as trustee under the Indenture, as lessor,  
and THE TOWN OF FRISCO, COLORADO, as lessee**

## INTRODUCTION

### **General**

This Official Statement, including the cover page and appendices, is furnished in connection with the execution, delivery and sale of \$6,350,000 aggregate principal amount of Certificates of Participation, Series 2023 (the “*Certificates*”), evidencing proportionate interests in the base rentals and other revenues under an annually renewable Lease Purchase Agreement dated as of April 26, 2023 (the “*Lease*”), between UMB Bank, N.A., Denver, Colorado, solely in its capacity of trustee under the Indenture (the “*Trustee*”), as lessor, and the Town of Frisco, Colorado, as lessee (the “*Town*”) approved by the Town Council pursuant to an ordinance to be adopted on April 25, 2023. The Certificates will be executed and delivered pursuant to the terms of an Indenture of Trust executed by the Trustee dated as of April 26, 2023 (the “*Indenture*”). Certain of the capitalized terms used herein and not otherwise defined are defined in Appendix B to this Official Statement.

*The offering of the Certificates is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Certificates. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled “CERTAIN RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page, the inside cover page and the appendices, is unauthorized.*

### **Changes since the Date of the Preliminary Official Statement**

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated April 4, 2023 (the “POS”), including the final sources and uses of the Certificates proceeds and the principal amounts, maturity dates, interest rates, prices or yields and other terms of the Certificates. In addition, since the date of the POS, the Town has received a fully executed CDOT Right of First Refusal and have filed this executed document in the appropriate property records. See “INTRODUCTION – The Leased Property – CDOT IGA.”

## **The Town**

The Town is located on the western slope of the Continental Divide in Summit County, Colorado, approximately 70 miles west of Denver, Colorado, at an elevation of 9,096 feet above sea level. The Town is centrally located in Summit County and has access at two interchanges on Interstate Highway 70. According to the Colorado Division of Local Government, the Town had an estimated permanent population of 2,913 as of 2020 Census (latest figure available). The Town is adjacent to the 275,000 acre-foot Dillon Reservoir, which is owned by the Denver Water Board and serves as a source of water for the Denver metropolitan area and a summer recreation facility for Summit County residents and tourists alike. The Town is also situated in close proximity to three major ski resorts, Keystone, Copper Mountain and Breckenridge. See “THE TOWN.”

## **Purpose**

The proceeds from the issuance of the Certificates will be used to: (i) finance the acquisition, construction, installation, equipping of for rent workforce housing on the Leased Property, including any legally permitted costs and expenditures in connection therewith (the “Project”); and (ii) pay the costs of issuing the Certificates. See “SOURCES AND USES OF FUNDS.”

## **The Certificates; Prior Redemption**

The Certificates are issued solely as fully registered certificates in the denomination of \$5,000, or any integral multiple thereof. The Certificates are dated as of their date of delivery and mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the Certificates is described in “THE CERTIFICATES--Payment Provisions.” The Certificates initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which is acting as the securities depository for the Certificates. Purchases of the Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Certificates. See “THE CERTIFICATES--Book-Entry Only System.”

The Certificates are subject to redemption prior to maturity at the option of the Town and are also subject to mandatory sinking fund redemption as described in “THE CERTIFICATES--Redemption Provisions.”

*The Certificates are also subject to extraordinary mandatory redemption upon the occurrence of certain events, including an Event of Nonappropriation or an Event of Lease Default, as described in “THE CERTIFICATES--Redemption Provisions - Extraordinary Redemption upon the Occurrence of Certain Events.”*

## **The Leased Property**

General. At the time of execution and delivery of the Certificates, the Town will lease the Site (defined below) to the Trustee pursuant to the terms and provisions of the Site Lease Agreement dated as of April 26, 2023 (the “Site Lease,” as more particularly defined in Appendix

B). Simultaneously, the Trustee will lease back to the Town the Site, the Leased Property (described below) and the Project pursuant to the Lease. In addition, any improvements (including new buildings, which are part of the Project) constructed on the Site will become part of the Leased Property pursuant to the Lease.

The Leased Property. The Leased Property consists of (i) a site of approximately 24,500 square feet, also known as 619 Granite Street within the Town (the “Site”), as further described in the Lease, and (ii) the buildings and improvements to be constructed on the Site (the “Project”).

CDOT IGA. The Town and the Colorado Department of Transportation (“CDOT”) entered into that certain Intergovernmental Agreement, dated June 8, 2022, as amended by the Intergovernmental Agreement Amendment #1, as may be further amended from time to time (together, the “CDOT IGA”), for the joint development of the Leased Property to provide for workforce housing. At the time of original execution of the CDOT IGA, CDOT conveyed the Leased Property pursuant to a Quitclaim Deed dated as of July 8, 2022 and recorded on August 1, 2022 (the “Quitclaim Deed”). The CDOT IGA states that the Leased Property will be transferred subject to a reversion right to the State if the Leased Property and the Project are no longer used for affordable workforce housing, however, the Quitclaim Deed does not contain any such reversionary clause. The CDOT IGA provides CDOT a right of first refusal (“CDOT Right of First Refusal”) to purchase the Property if the Town desires to sell the Leased Property. While the Quitclaim Deed does not contain this provision, the Town and CDOT recently entered into and filed as of record a Right of First Refusal. The CDOT Right of First Refusal provides that prior to the completion of construction of the Project if the Town desires to sell the Leased Property, CDOT has the right to purchase the Leased Property for an amount equal to the Town’s Share (defined below) plus 50% of the appreciation of the Leased Property and the Project. Upon the completion of the Project, if the Town desires to sell the Leased Property or any individual unit owned by the Town, CDOT has the right to purchase such at the fair market value of the Leased Property or the individual unit in accordance with Section 43-1-210(5), C.R.S. (appraiser to determine fair market value of the Lease Project/Project). During the term of the Site Lease, any purchase will take subject to and be limited by the Trustee’s leasehold interest. See “CERTAIN RISK FACTORS – Factors that Could Impact Value of Property if Lease is Terminated – Current Uses of Property, Title Restrictions; Valuations,” “The Leased Property - Release and Substitution of Leased Property” herein and Appendix B – Certain Definitions and Document Summaries—The Lease – Release and Substitution of Leased Property.

Additionally, the CDOT IGA includes the form of a residential housing restrictive covenant and notice of lien by each owner of a unit to be executed and recorded in the property records of the County (the “Restrictive Covenant”). CDOT and the Town intend for the Restrictive Covenant to be executed and recorded prior to a certificate of occupancy being issued for the Project. The purpose of the Restrictive Covenant is to restrict and ensure the use of the Leased Property for moderately priced housing by “resident eligible households” and limit the price at which the Leased Property may be leased and/or sold. “Resident eligible households” are defined as a person who at the time of purchase of a unit and all times during ownership or occupancy of a unit, earns their living from a business or governmental entity operating in the County by working an average of at least 30 hours per week on an annual basis and whose earnings are not more than 100% of area median income (“AMI”). While either the Town or CDOT is an owner of the Leased

Property, the Restrictive Covenant provides that the Project shall be leased to resident eligible households at such rental rates as shall be established by the Summit County Housing Authority (“SCHA”) and approved by the Town, or as may be established by the Town or CDOT from time to time, or if no such rental rates established, at a monthly rental rate that shall not exceed 100% of the most recent fair market rent amounts published by the U.S. Department of Housing and Urban Development. If the Leased Property is transferred to another owner besides the Town or CDOT, the leasing of the Leased Property requires the prior written approval of either SCHA, the Town or CDOT, which approval may be conditioned on the lease or rental term being limited to a twelve (12) month period. The non-compliance with this restriction invalidates the rental or lease. All leases of the Leased Property must be to an Authorized Lessee, which is defined as a resident eligible household.

Any sale of an individual unit by the Town, CDOT or another owner must be to a resident eligible household at a purchase price calculated in accordance with the provisions of the Restrictive Covenant. Additionally, any sale or transfer of the Leased Property must be in accordance with the Restrictive Covenant which includes, but not limited to, a maximum resale price, and any sale or transfer not in compliance with such provisions shall be null and void. See “CERTAIN RISK FACTORS – Factors that Could Impact Value of Property if Lease is Terminated – Current Uses of Property, Title Restrictions; Valuations,” “The Leased Property - Release and Substitution of Leased Property” herein and Appendix B – Certain Definitions and Document Summaries—The Lease – Release and Substitution of Leased Property.

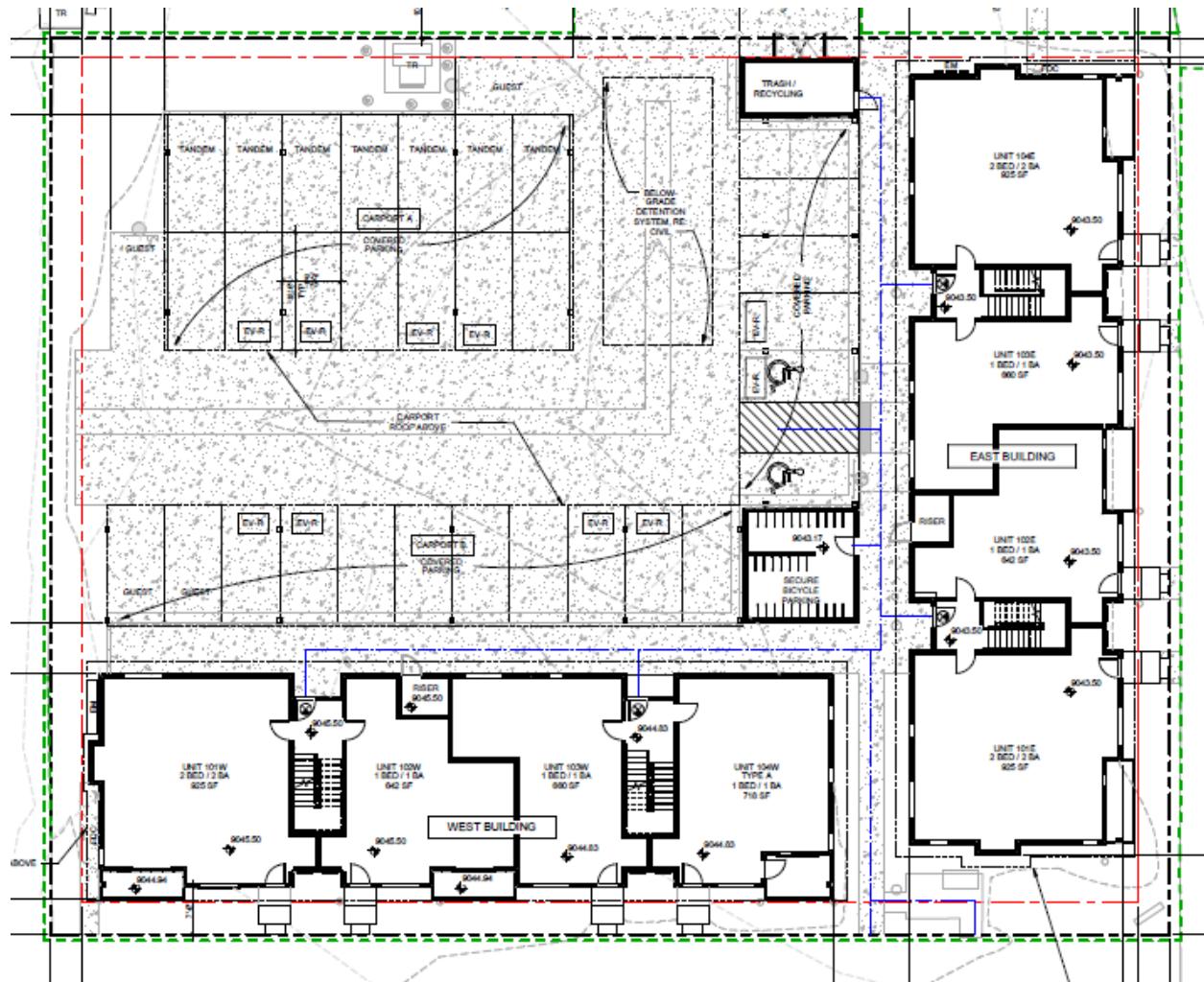
The Town and CDOT have agreed to the design of the Project and to share the costs and expenses of the construction of the Project with the Town responsible for 50.9% (the “Town’s Share”) and CDOT responsible for 49.1% (“CDOT’s Share”). See “Sources and Uses of Funds – The Project” for a breakdown of the costs and sources of funds from both parties. Under the CDOT IGA, the parties have agreed (a) to contract with a property management company to be responsible for the day to day management of the Project, (b) the CDOT IGA may be mutually terminated up until 11 of the 22 completed units (which shall be 3 studios, 5 one-bedroom and 3 two-bedroom) (the “CDOT Units”) have been released to CDOT and (c) to settle disputes pursuant to dispute resolution procedures. *CDOT has no obligation to make any payments on the Certificates or provide any revenues to the Town to make payments on the Certificates.*

In compliance with the CDOT IGA, CDOT and the Town selected Diversified Consulting Services as the Owner’s Representative for their assistance in the management of the construction of the Project. In October 2022, the Council entered into a Construction Manager General Contractor contract (the “CMGC”) for pre-construction services with MW Golden Constructors, with the primary deliverable being a guaranteed maximum price for the Town and CDOT to consider and determine if the CMGC should be amended to include construction. On January 24, 2023, the Town approved an amendment to the CMGC for the construction of the Project at a guaranteed maximum price of \$12,279,678. The Town’s Share and CDOT’s Share are detailed in “SOURCES AND USES OF FUNDS – The Project” with each receiving fifty percent (50%) of the \$1,500,000 grant to the Town from the Department of Local Affairs (the “DOLA Grant”) toward their respective shares. Prior to and upon the execution of the CDOT IGA, CDOT encumbered approximately \$2.3 Million of its estimated share. CDOT has encumbered an additional \$2.6 Million, which along with the initial encumbered amount and the value of the land is equal to CDOT’s Share. See “SOURCES AND USES OF FUNDS—The Project.” Any

amounts over CDOT's Share are subject to the change order process outlined in Section 6.D. of the CDOT IGA. See "CERTAIN RISK FACTORS – Factors that Could Impact Value of Property if Lease is Terminated – Construction Risk" herein.

*The Project.* The Project is comprised of for rent workforce housing, and more particularly, two buildings with a total of 22 apartment units consisting of 5 studios, 11 one-bedroom, and six two-bedroom units, which will be split among the Town and CDOT as follows: 2 studios, 6 one-bedroom, and 3 two-bedroom units for the Town and 3 studios, 5 one-bedroom and 3 two-bedroom for CDOT. There will be 32 carport-covered parking spaces and dedication bicycle parking. Construction is set to start April 17, 2023, with completion by November 1, 2024.

The ariel view plan below shows the location of the two buildings with the carport and bicycle parking behind the buildings.



### Security for the Certificates; Termination of Lease

General. At the time of execution and delivery of the Certificates, the Town will lease the Site to the Trustee pursuant to the terms and provisions of the Site Lease and the Project will be acquired, constructed and installed on the Site with net proceeds of the Certificates. The

Project will initially be owned by the Trustee, solely in its capacity as trustee under the Indenture. Concurrently with the execution and delivery of the Site Lease, the Trustee will lease the Leased Property, including the Site and the Project, back to the Town pursuant to the terms of the Lease.

The Certificates and the interest thereon are payable solely from certain revenues (the “*Revenues*”) received under the Lease, which include: (a) all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds, but not including Additional Rentals (all as defined in Appendix B); (b) any portion of the proceeds of the Certificates deposited into the Base Rentals Fund created under the Indenture; (c) any moneys which may be derived from any insurance in respect of the Certificates; and (d) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund and any defeasance escrow funds). See “SECURITY FOR THE CERTIFICATES” and “CERTAIN RISK FACTORS.”

Under the Indenture, the Trustee, for the benefit of the Owners of the Certificates, is to receive Base Rentals payable by the Town under the Lease. The amount and timing of the Base Rentals are designed to provide sufficient money to the Trustee to pay the principal of and interest on the Certificates when due. The Trustee is to deposit to the Base Rentals Funds created under the Indenture all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to the Lease, including all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds (but not Additional Rentals). See Appendix B - Certain Definitions and Document Summaries.

Sources of Payment of Base Rentals. Amounts due under the Lease are payable from all general revenues of the Town and no particular revenues of the Town are pledged to the payment of Base Rentals.

The Town currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from the General Fund and Capital Improvement Fund. The primary sources of legally available revenue in the General Fund are certain Sales Tax (as defined herein) revenues, and Lodging Tax (as defined herein) revenues. The primary sources of legally available revenues in the Capital Improvement Fund is the Real Estate Investment Fee (“*Real Estate Investment Fee*”) revenues. See “CURRENT SOURCES OF AVAILABLE REVENUES.” As described herein, not all of the moneys in the General Fund or the Capital Improvement Fund are available to pay Base Rentals. The Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the Town’s available funds in the future.

Certain statutory and constitutional limitations limit the amount of property taxes the Town can levy and collect. See “LEGAL MATTERS--Certain Constitutional Limitations” for a discussion of those limitations. Further, there is no assurance that the excise taxes which have generated the Town’s sales, accommodations, Real Estate Investment Fee revenues in the past will be generated at past levels. State of Colorado (the “*State*”) laws may also limit the imposition, collection or expenditure of those tax revenues in the future.

*Neither the Lease nor the Certificates constitute a general obligation or other indebtedness or multiple fiscal year financial obligation of the Town within the meaning of any constitutional or statutory limitation. Neither the Lease nor the Certificates will directly or indirectly obligate the Town to make any payments other than those which may be appropriated by the Town for each fiscal year.*

The Trustee does not have any obligation to and will not make any payments on the Certificates pursuant to the Lease or otherwise except to the extent Revenues are available.

Termination of Lease; Annual Appropriation. The Lease constitutes a one-year lease of the Leased Property which is annually renewable for additional one-year terms as described in the Lease. The Town must take action annually in order to renew the Lease term for another year. If the Town fails to take such action, the Lease automatically will be terminated. The Town's decision to terminate its obligations under the Lease will be determined by the failure of the Town Council of the Town (the "Town Council") to specifically budget and appropriate moneys to pay all Base Rentals and reasonably estimated Additional Rentals for the ensuing Fiscal Year. The Town Manager or other officer of the Town at any time charged with the responsibility of formulating budget proposals is directed under the Lease to include in the annual budget proposal submitted to the Town Council, in any year in which the Lease is in effect, items for all payments required under the Lease for the ensuing Renewal Term until such time, if any, as the Town may determine to not renew and terminate the Lease. Notwithstanding this directive regarding the formulation of budget proposals, it is the intention of the Town that any decision to effect an Appropriation for the Base Rentals and Additional Rentals shall be made solely by the Town Council and not by any other official of the Town, as further provided in the Lease.

If on or before the December 31 prior to the beginning of any Fiscal Year of the Town, the Town fails to budget and appropriate sufficient funds to pay all Base Rentals and all reasonably estimated Additional Rentals, the Town will be considered to have terminated the Lease (subject to certain waiver and cure provisions). Upon termination of the Town's obligations under the Lease, the Trustee may proceed to exercise certain remedies under the Lease and the Indenture, including the lease or sublease of the Leased Property, or the sale or assignment of any interest in the Leased Property, including the Project or Trustee's leasehold interest in the Site, or take one or any combination of the steps described in the Lease. See Appendix B - Certain Definitions and Document Summaries--The Lease - Nonappropriation by the Town. The net proceeds of any such disposition are required to be applied by the Trustee toward the payment of the Certificates.

Termination of the Site Lease. The Leased Property will be leased by the Town to the Trustee pursuant to the Site Lease. At the end of the term of the Site Lease, all right, title and interest of the Trustee, or any sublessee or assignee in and to the Leased Property will vest in the Town. The Site Lease will terminate on the earliest to occur of the following: (a) the termination of the Lease Term as provided in the Lease due to the payment of the Purchase Option Price by the Town, or upon payment by the Town of all Base Rentals and Additional Rentals for the entire Lease Term; or (b) discharge of the Indenture as a result of the fact that all Certificates have been paid or have been deemed to have been paid as provided in the Indenture; or (c) December 31, 20\_\_. The Leased Property will no longer be subject to the provisions of the Site Lease, the Lease or the Indenture upon the termination of the Site Lease. See "CERTAIN RISK FACTORS--

Limited Duration of Site Lease” and Appendix B - Certain Definitions and Document Summaries--The Site Lease - Site Lease and Term.

No Reserve Fund. The Certificates are not secured by a reserve fund.

Purchase Option. The Town has the option to purchase the Trustee’s interest in the Leased Property and terminate the Site Lease and the Lease by paying the Purchase Option Price, which is equal to the amount necessary to pay all principal and interest due on all Outstanding Certificates and any other amounts necessary to defease and discharge the Indenture, as provided in the Lease. See Appendix B - Certain Definitions and Document Summaries--The Lease - Purchase Option and Conditions for Purchase Option. The Trustee is required to use the Purchase Option Price to pay the principal, interest, and any premium on the Certificates. See “THE CERTIFICATES--Redemption Provisions.”

Release and Substitution of Leased Property Under certain circumstances, the Town also may substitute property for all or a portion of the Leased Property. In compliance with the CDOT IGA, after the delivery of the Certificate of Completion, the Town may provide written direction to the Trustee to release the CDOT Units from the Lease and the Site Lease without complying with the substitution provisions of the Lease. See Appendix B - Certain Definitions and Document Summaries--The Lease – Release and Substitution of Leased Property.

Additional Certificates. The Indenture permits the issuance of Additional Certificates (defined in Appendix B) without notice to or approval of the owners of the outstanding Certificates under the circumstances described in “SECURITY FOR THE CERTIFICATES--Additional Certificates.”

### Tax Status of Interest on the Certificates

In the opinion of Butler Snow LLP, Special Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease and paid as interest on the Certificates, is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the “Tax Code”), interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, and is excludable from State taxable income and State alternative minimum taxable income under State income tax laws in effect on the date of delivery of the Certificates. See “TAX MATTERS.”

*Notwithstanding the foregoing, Special Counsel has disclaimed any opinion regarding the tax status of the Certificates after termination of the Lease. See “CERTAIN RISK FACTORS--Effect of Termination on Exemption from Taxation and on Exemption from Registration and “TAX MATTERS.”*

## **Professionals**

Butler Snow LLP, Denver, Colorado, has acted as Special Counsel to the Town in connection with execution and delivery of the Certificates and also has acted as special counsel to the Town in connection with preparation of this Official Statement. The fees of Butler Snow LLP will be paid only from Certificate proceeds at closing. Certain legal matters will be passed upon for the Town by the Town Attorney, Murry, Dahl, Berry & Renaud, LLP, Lakewood, Colorado. UMB Bank, N.A., is serving as the Trustee. The Town's audited financial statements as of and for the year ended December 31, 2021, including the report thereon of McMahan and Associates, L.L.C., certified public accountants, Avon, Colorado, are attached hereto as Appendix A. See "INDEPENDENT AUDITORS." Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is acting as the Underwriter for the Certificates (the "Underwriter"). See "UNDERWRITING." Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, is acting as counsel to the Underwriter.

## **Continuing Disclosure Undertaking**

The Town will execute a continuing disclosure certificate (the "Disclosure Certificate") at the time of the closing for the Certificates. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Certificates and the Town will covenant in the Lease to comply with its terms. However, any failure by the Town to comply with the Disclosure Certificate will not constitute an Event of Lease Default. The Disclosure Certificate will provide that so long as the Certificates remain outstanding, the Town will provide the following information to the Municipal Securities Rulemaking Council, through the Electronic Municipal Market Access ("EMMA") system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain listed events; each as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix D.

The Town has entered into continuing disclosure undertaking in connection with its prior securities issues. In the past five years, the Town did not file unaudited financial statements for 2018 as a required by a prior undertaking for one of its prior securities issues and filed its Annual Comprehensive Financial Statements ("ACFR", which contains the Town's audited financial statements and the required financial and operating data) for 2020 late. The Town also did not timely provide failure to file notices with respect to the filing failures described above. The Town has made remedial filings.

## **Additional Information**

This introduction is only a brief summary of the provisions of the Certificates, the Indenture, the Lease, the Site Lease and other documents described herein; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Project, the Town, the Certificates, the Indenture, the Lease, the Site Lease and other documents are included in this Official Statement. All references herein to the Certificates, the Lease, the Site Lease, the Indenture and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change without notice.*

Additional information and copies of the documents referred to herein are available from the Town or the Underwriter as follows:

Town of Frisco, Colorado  
Attn: Director of Finance  
1 Main Street  
P.O. Box 4100  
Frisco, Colorado 80443  
Telephone: (970) 668-5276

Stifel, Nicolaus & Company, Incorporated  
1401 Lawrence Street, Suite 900  
Denver, Colorado 80202  
Telephone: (303) 296-2300.

## CERTAIN RISK FACTORS

*Investment in the Certificates involves certain risks. Each prospective investor in the Certificates is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below which could affect the payment of rentals under the Lease and could affect the market price of the Certificates to an extent that cannot be determined at this time. The factors set forth below are not intended to provide an exhaustive list of the risks associated with the purchase of the Certificates.*

### **Nonappropriation**

Prospective purchasers of the Certificates must look to the ability of the Town to pay Base Rentals pursuant to the Lease; such Base Rentals will provide funds for payment of principal and interest on the Certificates. The Town is not obligated to pay Base Rentals or Additional Rentals under the Lease unless funds are budgeted and appropriated for such rentals by the Town each year. If, prior to December 31 of each year, the Town Council does not specifically budget and appropriate amounts sufficient to pay all Base Rentals for the next Fiscal Year, and to pay such Additional Rentals as are estimated to become due for the ensuing Fiscal Year, an “Event of Nonappropriation” occurs. If an Event of Nonappropriation occurs, the Town will not be obligated to make payment of the Base Rentals or Additional Rentals which accrue after the last day of the Original or Renewal Term during which such Event of Nonappropriation occurs.

Various political, legal and economic factors could lead to the nonappropriation of sufficient funds to make the payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. There is no assurance that the Town Council will appropriate sufficient funds to renew the Lease each year and the Town has no obligation to do so. In addition, the ability of the Town to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the Town’s control, such as the economy, collections of various excise taxes and changes in law. See “LEGAL MATTERS--Certain Constitutional Limitations,” “SECURITY FOR THE CERTIFICATES,” and “TOWN FINANCIAL OPERATIONS.”

### **Sources of Base Rentals are Limited to Appropriated Funds**

The obligation of the Town to pay Base Rentals and Additional Rentals is limited to those Town funds that are specifically budgeted and appropriated annually by the Town Council for such purpose. The Lease directs the Town Manager or officer of the Town charged at any time with the responsibility of formulating budget proposals with respect to the Leased Property to include, in the annual budget proposals submitted to the Town Council, items for all payments required under the Lease for the ensuing Fiscal Year, until such time (if any) as the Town determines not to renew the Lease. The Lease provides that it is the intention of the Town that any decision not to renew the Lease is to be made solely by the Town and not by any other official or employee of the Town. See Appendix B - Certain Definitions and Document Summaries--The Lease.

## **Factors that May Cause Insufficiency of Expected Revenues**

Economic and Other Factors Beyond the Control of the Town. Although the Town is not obligated to pay Base Rentals and Additional Rentals from any particular revenue source, it is the current expectation of the Town Council that Base Rentals and Additional Rentals for the Certificates will be paid (to the extent funds are appropriated therefor each year) primarily from certain Sales Tax revenues, Lodging Tax revenues and Real Estate Investment Fee revenues reported in the Town's General Fund. See "CURRENT SOURCES OF AVAILABLE REVENUE." Such revenues are subject to fluctuation and may be impacted by adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the Town, the County, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the Town, the County, the State and the region and various other factors.

In addition, collections of Sales Tax revenues are subject to fluctuations in consumer spending. Such fluctuations cause Sales Tax revenues to increase along with the increasing prices brought about by inflation, but also cause collections to be vulnerable to adverse economic conditions and reduced spending. Consequently, the rate of Sales Tax collections can be expected to correspond generally to economic cycles. The Town has no control over general economic cycles and is unable to predict what general economic factors or cycles will occur while the Certificates remain outstanding.

In addition, other circumstances (over which the Town has no control) may adversely affect tourist activity or general spending. Such circumstances may include, among others, unwillingness to travel to the Town due to terrorist attacks or other hostile acts occurring in the United States or other parts of the world, natural disasters, pandemics, increases in gas prices impacting travel by car, a decrease in rates of population growth in the Town, County, the State and the region and various other factors.

### *COVID-19. General.*

The novel coronavirus and its variants (and associated COVID-19 infections) continue to circulate in the State. The State and local governments have implemented orders, guidance, recommendations and other measures intended to slow the spread of the COVID-19; certain of those actions resulted in the closure of nonessential businesses during 2020 and related increases in unemployment rates. COVID-19 measures change rapidly due to ever-evolving circumstances. There can be no assurance that the spread of COVID-19 and the implementation of restrictions on a local, State and national level will not continue into the future. Those restrictions have negatively impacted the local, State and national economies and may continue to do so in the future.

The severe economic impacts of the COVID-19 pandemic have led the Town to focus more clearly on priorities that will help to ensure long-term fiscal sustainability. The strategic development of capital projects that serve to strengthen the long-term economic outlook of the Town, the maintenance of existing assets and infrastructure, and an emphasis on controlling operational expenditures in the face of rising fixed costs continue to be top priorities.

Relationship of Town's Revenues to Skiing and Tourism Industries. The operating revenues of the Town (which consist, in substantial part, of the proceeds of the various excise taxes) are heavily dependent upon the skiing and tourism industries, which in turn are subject to such factors as weather conditions, the availability of sufficient transportation and wildfire conditions. In addition, many second/vacation homes are located within the Town. Any decrease in the level of tourist activity in the Town is likely to result in a reduction in Sales Tax and Lodging Tax revenues. Decreases in tourist activity have been and will continue to be impacted by many factors, some of which are described in the remainder of this paragraph. The failure or inability of the owners of the ski areas to offer amenities or recreational experiences that are competitive with other ski areas in the region or the country may cause a decline in tourism (particularly during the winter); the Town has no control over the marketing or operations of the ski areas. Decreased levels of snow available for skiing due to climate change or any other factor also may cause a decline in winter visitors to the Town. In addition, reductions in air service or sharp increases in the price of such service, poor condition or congestion of roads leading to the Town (including Interstate 70 out of Denver) may result in reduced visitors to the Town and a subsequent reduction in excise tax revenues.

In addition, businesses have reopened within the Town, and it appears that the 2021 winter season and the 2022 summer tourism season was just as robust in previous years, if not more.

It is not possible to predict whether such events will occur in the future.

Other Obligations Payable from Legally Available Revenues. The Town previously entered into other lease-purchase agreements which support the payment of Certificates of Participation, Series 2017 (the “2017 Certificates”), which are outstanding in the aggregate principal amount of \$2,183,914 and lease purchase agreement, dated April 1, 2015 (the “2015 Agreement” and together with the 2017 Certificates, the “Prior Certificates”), which are currently outstanding in the aggregate principal amount of \$867,729. The Prior Certificates are also payable from any legally available revenues of the Town; in the event that the Town experiences a reduction in excise taxes or other legally available revenues, the Town may choose to nonappropriate funds for any of the Prior Certificates or the Certificates. The base rentals payable under the Lease are set forth in “BASE RENTALS SCHEDULE.”

Future Liens on Excise Tax Revenues. Subject to voter approval, the Town is authorized to issue bonds secured by revenues generated by any Town taxes, except general ad valorem property taxes (including the Lodging Tax, Real Estate Investment Fee and Sales Tax). See “TOWN DEBT STRUCTURE.” The Town currently does not have any such bonds outstanding and does not plan to issue any in the foreseeable future but reserves the right to issue them at any time in the future. If such bonds are issued, the excise taxes would be used to pay debt service on those bonds prior to being available to pay Base Rentals on the Certificates.

## **Effect of a Termination of the Lease Term**

In the event of termination of the Town’s obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Town is required to vacate and surrender the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation or an Event of Lease Default has occurred. If an Event of Lease Default

shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property which vacation and surrender the Town agrees under the Lease to complete within sixty (60) days from the date of such notice (in the event the Town does not vacate and surrender possession on the termination date, the “holdover tenant” provisions of the Lease shall apply); (ii) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee’s leasehold interest in the Leased Property pursuant to the Site Lease; (iii) recover from the Town (a) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and (b) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or (iv) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture. See “INTRODUCTION – The Leased Property – CDOT IGA” and “CERTAIN RISK FACTORS – Factors that Could Impact Value of Property if Lease is Terminated – Current Uses of Property, Title Restrictions; Valuations” herein.

*A potential purchaser of the Certificates should not assume that the amount of money received by the Trustee upon the exercise of its rights under the Site Lease, the Lease and the Indenture after a termination of the Lease Term will be sufficient to pay the aggregate principal amount of the Certificates (including any Additional Certificates) then outstanding plus accrued interest thereon. See “BASE RENTALS SCHEDULE.”*

IF THE CERTIFICATES (INCLUDING ANY ADDITIONAL CERTIFICATES) ARE REDEEMED SUBSEQUENT TO A TERMINATION OF THE LEASE TERM FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF AND ACCRUED INTEREST THEREON, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES PURSUANT TO THE INDENTURE; AND UPON SUCH A PARTIAL PAYMENT, NO OWNER OF ANY CERTIFICATE WILL HAVE ANY FURTHER CLAIMS FOR PAYMENT UPON THE TRUSTEE OR THE TOWN.

## No Reserve Fund

The Certificates are not secured by a reserve fund.

## Factors that Could Impact Value of Property if Lease is Terminated

*There is no guarantee that the Trustee will be able to liquidate its interest in the Leased Property in an amount equal to the amount of the outstanding Certificates (including any Additional Certificates).*

General. The Town will retain title to the Site and the Trustee initially will own the Project and will have a leasehold interest in the Site pursuant to the Site Lease. All of the Leased

Property (including the Project) will be leased to the Town pursuant to the Lease. Upon termination of the Lease, the Trustee will have the right to use and possession of all of the Leased Property.

The Trustee is able to sell its interest in the Leased Property; however, ownership of the Project will revert to the Town at the end of the Site Lease Term. As a result, it may be difficult for the Trustee to sell its interest in the Leased Property. “See “INTRODUCTION – The Leased Property – CDOT IGA” regarding Right of First Refusal and the Restrictive Covenant. If the Trustee is not able to sell the remainder of the Leased Property upon the occurrence of an Event of Lease Default or an Event of Nonappropriation, the construction cost of the Project may not be indicative of amounts the Trustee may receive in exercising its remedies under the Lease. There is no assurance that the current level of value of the Leased Property will continue in the future and there is no guarantee that the Trustee will be able to sublease or otherwise sell or dispose of its interest in the Leased Property under the Site Lease in an amount equal to the amount of the outstanding Certificates, or that such subleasing or disposal can be accomplished in time to pay any installment of principal or interest on the Certificates when due. “See “INTRODUCTION – The Leased Property – CDOT IGA” and “INTRODUCTION - Security for the Certificates; Termination of Lease – Release and Substitution of Leased Property.”

Construction Risk. Construction of the Project will be financed in part with the net proceeds of the Certificates, partly by monthly disbursements from CDOT and partly by the DOLA Grant. Under the CDOT IGA, the Town must submit payment request by invoice to CDOT with CDOT paying such invoice within 30 days, unless CDOT determines an invoice is incorrect. The Town may dispute any calculation, determination or amount of any payment under the procedures of the CDOT IGA. These process and procedures may delay payments due under the CMGC as well as delay construction. The DOLA Grant requires the Town first expend its own monies first and then request reimbursement for Town expenditures relating to the Project and the DOLA Grant. There is no assurance that the Project can be completed with the net proceeds of the Certificates, the funds from CDOT, the DOLA Grant or within the budget proposed by the Town and contemplated within the CDOT IGA. See “SOURCES AND USES OF FUNDS--The Project.” While the CMGC does contain a guaranteed maximum price, the CMGC does contain a provision to account for dramatic increases in the costs of materials. The United States of America (the “United States”) is currently experiencing an increased rate of inflation. This period of inflation may cause the costs of materials, labor and construction to increase and cause the cost of the Project to increase. Additionally, the United States is experiencing supply chain issues which are affecting the timely delivery of materials. This delay may also cause the cost of the Project to increase. Furthermore, normal contingencies generally involved with the construction of any facility, such as natural disasters, labor difficulties, unanticipated engineering or structural problems, difficulties in obtaining materials, weather conditions and economic conditions in general, or issues related to the water table on the Site may cause delays resulting in increased costs. Any unanticipated increase in the cost of the Project could require the issuance of Additional Certificates which would dilute the revenues available to pay Base Rentals. Further, if the Project is not completed for any reason, or is downsized or partially completed, the Trustee may not be able to sublease the Leased Property or otherwise sell or dispose of its interest in the Leased Property for an amount equal to the aggregate principal amount of the Certificates then outstanding, plus accrued interest.

Current Uses of Property; Title Restrictions and Zoning; Valuation. The Town anticipates expending approximately \$7,000,000 of Certificate proceeds on the Project. However,

the amount spent on the improvements may not be indicative of amounts the Trustee may receive in exercising its remedies under the Lease. Upon a termination of the Lease, there is no guarantee that the Trustee will be able to sublease or otherwise sell or dispose of its leasehold interest in the Leased Property under the Site Lease in an amount equal to the amount of the outstanding Certificates. The Leased Property is subject to pre-existing title restrictions (rights to mine certain minerals, ditch and sewer easements), as well as the Restrictive Covenant and the Right of First Refusal which may make the Leased Property less attractive to potential users if the Trustee must lease, sell or otherwise dispose of the Leased Property. Additionally, the Restrictive Covenant contains procedures for setting the price of any lease, sale or transfer of the Leased Property. See “INTRODUCTION – The Leased Property – CDOT IGA.” Further, the Leased Property is subject to present and future zoning requirements or other land use regulations imposed by the Town.

Zoning and land use regulations in effect in the future may restrict the future uses of the Leased Property. Should that occur, the Leased Property may have less value to third parties than its current value would indicate.

### **Limited Duration of Site Lease**

The term of the Site Lease is 10 years longer than the term of the Certificates. Upon termination of the Lease for any reason (including the occurrence of an Event of Nonappropriation), the Trustee may assign its interest in the Site Lease and may foreclose through the courts on or sell, lease, sublease or otherwise liquidate or dispose of its interest in the Leased Property. The Trustee’s interest in the Leased Property, including the Project, will terminate upon termination of the Site Lease. The net proceeds received from those activities are to be applied to pay the Certificates. However, due to the limited term of the Site Lease, the Trustee may find it difficult or impossible to locate third parties that are interested in accepting an assignment of the Trustee’s rights in the Leased Property. Further, the limited term of the Site Lease may make it difficult or impossible for the Trustee to collect revenues over the remaining term of the Site Lease in an amount sufficient to pay the Certificates.

### **Enforceability of Remedies; Liquidation Delays**

Under the Lease and the Site Lease, the Trustee has the right to take possession of and dispose of the Trustee’s interest in the Leased Property upon an Event of Nonappropriation or an Event of Lease Default and a termination of the Lease. However, the enforceability of the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally and liens securing such rights, and the police powers of the Town. Because of the use of the Leased Property by the Town for the public welfare, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay possession for an indefinite period, even though the Town may have terminated the Lease or be in default thereunder. As long as the Trustee is unable to take possession of the Leased Property or any other projects or property which may subsequently be approved in connection with the issuance of Additional Certificates, it will be unable to sublease or otherwise dispose of its leasehold interests in the Leased Property as permitted under the Site Lease and the Indenture or to redeem or pay the Certificates except from funds otherwise available to the Trustee under the Indenture. See “SECURITY FOR THE CERTIFICATES.”

## **Effect of Termination on Exemption from Taxation and on Exemption from Registration**

Special Counsel has specifically disclaimed any opinion as to the effect that termination of the Lease may have upon the treatment for federal or State income tax purposes of amounts received by an Owner of Certificates subsequent to such termination. There is no assurance that any amounts representing interest received by the Owners of the Certificates after termination of the Lease as a consequence of an Event of Nonappropriation or Event of Lease Default will be excludable from gross income under federal or State laws. In view of past private letter rulings by the United States Department of Treasury, Owners of the Certificates should not assume that payments allocable to interest received from the Certificates would be excludable from gross income for federal or State income tax purposes if an Event of Nonappropriation or an Event of Lease Default occurs, and the Lease is terminated. See “TAX MATTERS.”

In the event of a termination of the Town’s obligations under the Lease, there is no assurance that Owners of Certificates would be able to transfer their interests without compliance with federal securities laws.

## **Condemnation Risk**

In the mid-1990’s, the Town of Sheridan, Colorado (“*Sheridan*”) exercised its eminent domain powers to acquire an administration building it previously had leased under an annually terminable lease purchase agreement. Sheridan sought to use its condemnation power to acquire the property at a fraction of the remaining lease payments (which would be paid to owners of certificates of participation in Sheridan’s lease). Sheridan’s condemnation suit was successful; however, Sheridan was unable to pay the court-determined amount representing the value of the property and eventually vacated the building in favor of the trustee. Sheridan eventually reached a settlement with the trustee and reacquired possession of the building from the trustee. Pursuant to this settlement, certificate holders reportedly received less than half of the amounts due them under the certificates. The Town considers the occurrence of a situation such as the one described above to be unlikely; however, there is no assurance that the Leased Property (or portions thereof) would not be condemned in the future.

## **Casualty Risk**

If all, substantially all, or any portion of the Leased Property is damaged or destroyed by any casualty, there is no assurance that casualty insurance proceeds and other available monies of the Town and the County (as required by the CDOT IGA) will be sufficient either to repair or replace the damaged or destroyed property or to pay all the outstanding Certificates, if the Certificates are called for mandatory redemption as a result of such casualty. See “THE CERTIFICATES--Redemption Provisions.” Although the Town believes its casualty insurance coverages is adequate, there is no assurance that such damage or destruction would not have a material adverse effect on the ability of the Town to make use of the Leased Property. Delays in the receipt of casualty insurance proceeds pertaining to the Leased Property or delays in the repair, restoration or replacement of property damaged or destroyed also could have an adverse effect upon the ability of the Town to make use of the Leased Property or upon its ability to make timely payment of rental payments under the Lease.

## **Insurance Risk**

The Lease requires that the Town provide casualty, public liability and property damage insurance for the Leased Property in an amount equal to the full replacement value of the Leased Property. The Town may provide such insurance through commercial policies or, in its discretion, through a qualified self-insurance pool. For a description of the insurance requirements related to the Leased Property (including requirements related to a qualified self-insurance pool), see Appendix B - Certain Definitions and Document Summaries--The Lease - Required Insurance. The Town currently maintains the insurance described in "THE TOWN—Risk Management." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction of the Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date.

## **Future Changes in Laws**

Various State laws and constitutional provisions apply to the imposition, collection, and expenditure of ad valorem property taxes, sales taxes, other revenues, and the operation of the Town. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the Town and the imposition, collection, and expenditure of its revenues. Such changes could include, but are not limited to, future restrictions on real estate development and growth in the Town and State law changes in the items subject to sales taxes or exemptions therefrom.

## **Forward-Looking Statements**

This Official Statement, including but not limited to the sections entitled "CERTAIN RISK FACTORS," "TOWN FINANCIAL OPERATIONS--Budget Summary and Comparison-General Fund," and any sections referring to interim, unaudited or budgeted information, contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Revenues available to pay Base Rentals and Additional Rentals under the Lease.

## **Secondary Market**

No assurance can be given concerning the future existence of a secondary market for the Certificates or its maintenance by the Underwriter or others, and prospective purchasers of the Certificates should therefore be prepared to hold their Certificates to maturity.

## **Climate Change**

Changing weather patterns have impacted the State, including the Town. The impacts include increasing temperatures, more extreme weather patterns, longer periods of drought, and increased wildfires. Recent wildfires have been widespread and, in some cases, have occurred near the Town. Wildfires are a fact of life in the Colorado mountains, and significant resources for prevention, management and eradication of fires are provided by a combination of federal, State and local firefighting agencies.

It is difficult to predict whether or how a changing climate will impact the Town and its finances, but increased wildfire activity could impact the Town's facilities, including the Leased Property. The Town maintains casualty property insurance policies to insure against damage or destruction of its facilities.

Extensive wildfire activity in or near the Town could impact tourism which may impact revenues from Town excise taxes such as sales tax. Wildfires could also damage or destroy private properties located in the Town. Such damage or destruction could potentially impact the Town's property tax revenues.

## **Cybersecurity**

The Town relies on computer systems and technologies to conduct many of its operations. Despite security measures, policies and training, the Town, like other public and private entities, may be vulnerable to cyber-attacks by third parties. Any such attack could compromise systems and the information stored thereon. A cyber-attack could result in a disruption in the operations of the Town and may adversely affect revenues. The Town carries cyber security coverage and has protocols in place to protect confidential date and detect unauthorized intrusions. No assurances can be given that these security measures will successfully prevent all cyber-attacks.

## SOURCES AND USES OF FUNDS

### Sources and Uses of Proceeds

The Town expects to apply the proceeds of the Certificates as set forth below.

<u>Sources and Uses of Funds</u>		<u>Amount</u>
<u>Sources of Funds</u>		
Par amount of the Certificates.....		\$6,350,000.00
Plus: original issue premium.....		831,830.10
Total:.....		<u>\$7,181,830.10</u>
<u>Uses of Funds</u>		
The Project.....		\$7,000,000.00
Costs of issuance (including Underwriter's discount) .		181,830.10
Total:.....		<u>\$7,181,830.10</u>

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Source: The Underwriter.

### The Project

The Project consists of construction of for rent work force housing, and more particularly, two buildings with a total of 22 apartment units consisting of 5 studios, 11 one-bedroom, and six two-bedroom units. All units will have energy-efficient electric appliances and in-unit washer and dryer. There will be 32 carport-covered parking spaces. The buildings and the covered parking spaces will also have solar panels in order to off-set the cost of electricity for each unit and the common spaces within the Project.

The total estimated budget for the Project is \$16,381,034, which is detailed in the chart below. Pursuant to the CDOT IGA, a per unit construction is to be determined on a square footage basis by dividing the sum of all Project costs by the combined total square footage of all units constructed (the "Square Foot Cost"). The Square Foot Cost is applied to the square footage of each unit to be owned to CDOT and the Town to determine each party's allocation of construction cost for each unit. CDOT's share in the costs and expenses for the Project is 49.1% (the "State Share") and the Town's share in the costs and expenses for the Project is 50.9% (the "Town Share"). The Town's Share and CDOT's Share are detailed in the chart below, with each receiving fifty percent (50%) of the DOLA Grant towards their respective shares. Prior to and upon the execution of the CDOT IGA, CDOT encumbered approximately \$2.3 Million of its estimated share. CDOT has encumbered an additional \$2.6 Million, which along with the initial encumbered amount and the value of the land is equal to CDOT's Share. Any additional costs over this amount are subject to the change order procedure of the CDOT IGA. These change order procedures require the approval of the State Controller. See "CERTAIN RISK FACTORS – Factors that Could Impact Value of Property if Lease is Terminated – Construction Risk" herein.

Below is a chart reflecting the estimated Project costs and all of the sources of funds for the Project:

<b>Total Estimated Project Cost</b>	
CMCG (including solar)	\$12,279,678
Land Acquisition	2,438,694
Other Costs <sup>(1)</sup>	1,552,662
Costs of Issuing the Certificates	<u>110,000</u>
<b>Total Project Cost</b>	<b>\$16,381,034</b>
<b>Sources of Funds for the Project</b>	
Shared Contribution – DOLA Grant Proceeds	<b>\$1,500,000</b>
CDOT Contribution	
Land	2,438,694
Cash	<u>4,867,894</u>
<b>CDOT's Share</b>	<b>\$7,306,588</b>
Town Contribution	
Certificates	\$7,000,000
Cash	<u>574,446</u>
<b>Town's Share</b>	<b>\$7,574,446</b>
<b>Total Sources of Funds</b>	<b>\$16,381,034</b>

<sup>(1)</sup> These costs include the architect, tap fees, Owner's representative, etc.

The apartments will serve local workforce and will be rented to resident eligible households as provided in the CDOT IGA and the Restrictive Covenant. The income requirements will be managed and verified by the property manager at time of lease. See "INTRODUCTION - The Leased Property" and "CERTAIN RISK FACTORS – Factors that Could Impact Value of Property if Lease is Terminated – Current Uses of Property; Title Restrictions and Zoning; Valuation."

## **THE CERTIFICATES**

### **General**

The Certificates are dated as of their date of delivery and mature on the dates set forth on the inside cover page of this Official Statement. The Certificates bear interest (based on a 360-day year consisting of twelve 30-day months) from their dated date to maturity, payable semiannually on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing December 1, 2023. The Certificates are issuable as fully registered certificates and initially will be registered in the name of "Cede & Co.,," as nominee for DTC, the securities depository for the Certificates. Purchases by Beneficial Owners of the Certificates are to be made in book-entry only form. Payments to Beneficial Owners are to be made as described in "Book-Entry Only System" and Appendix C.

## **Payment Provisions**

Except for any Certificates for which DTC is acting as Depository or for an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, the principal of, premium, if any, and interest on all Certificates shall be payable to the Owner thereof at its address last appearing on the registration books maintained by the Trustee. In the case of any Certificates for which DTC is acting as Depository, the principal of, premium, if any, and interest on such Certificates shall be payable as directed in writing by the Depository. In the case of an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, the principal of, premium, if any, and interest on such Certificates shall be payable by wire transfer of funds to a bank account located in the United States as designated by the Certificate Owner in written instructions to the Trustee.

Interest shall be paid to the Owner of each Certificate, as shown on the registration books kept by the Trustee, as of the close of business on the 15<sup>th</sup> day of the calendar month (whether or not a Business Day) immediately preceding the Interest Payment Date (the “Regular Record Date”), irrespective of any transfer of ownership of Certificates subsequent to the Regular Record Date and prior to such Interest Payment Date, or on a special record date, which shall be fixed by the Trustee for such purpose, irrespective of any transfer of ownership of Certificates subsequent to such special record date and prior to the date fixed by the Trustee for the payment of such interest. Notice of the special record date and of the date fixed for the payment of such interest shall be given by providing a copy thereof by either electronic means or by first class mail postage prepaid at least 10 days prior to the special record date, to the Owner of each Certificate upon which interest will be paid, determined as of the close of business on the day preceding the giving of such notice.

Notwithstanding the foregoing, payments of the principal of and interest on the Certificates will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the registered owner of the Certificates. Disbursement of such payments to DTC’s Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and the Indirect Participants, as more fully described herein. See “Book-Entry Only System” below.

## **Redemption Provisions**

Optional Redemption. The Certificates maturing on or prior to December 1, 2033, shall not be subject to optional redemption prior to their respective maturity dates. The Certificates maturing on and after December 1, 2034, shall be subject to redemption prior to their respective maturity dates at the option of the Town, in whole or in part, in integral multiples of \$5,000, and if in part in such order of maturities as the Town shall determine and by lot within a maturity, on December 1, 2033, and on any date thereafter, at a redemption price equal to the principal amount of the Certificates so redeemed plus accrued interest to the redemption date without a premium.

In the case of a Prepayment in part of Base Rentals under the Lease, the Trustee shall confirm that the revised Base Rentals Schedule to be provided by the Town Representative pursuant to the Lease sets forth Principal Portions and Interest Portions of Base Rentals that are equal to the principal and interest due on the Certificates that remain Outstanding after such

Optional Redemption. For such confirmation, the Trustee may conclusively rely on a certification of the Town Representative or other person as provided in the Lease.

Mandatory Sinking Fund Redemption. The Certificates maturing on December 1, 2035, December 1, 2037, December 1, 2039 and December 1, 2042 (the “*Term Certificates*”) are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof, plus accrued interest to the redemption date, as more particularly described below.

The following principal amounts of the Certificates maturing December 1, 2035, are subject to mandatory sinking fund redemption (after credit as described below) on December 1 of the following years:

Redemption Date <u>(December 1)</u>	Principal <u>Amount</u>
2034	\$330,000
2035 (maturity)	<u>350,000</u>
	\$680,000

The following principal amounts of the Certificates maturing December 1, 2037, are subject to mandatory sinking fund redemption (after credit as described below) on December 1 of the following years:

Redemption Date <u>(December 1)</u>	Principal <u>Amount</u>
2036	\$365,000
2037 (maturity)	<u>385,000</u>
	\$750,000

The following principal amounts of the Certificates maturing December 1, 2039, are subject to mandatory sinking fund redemption (after credit as described below) on December 1 of the following years:

Redemption Date <u>(December 1)</u>	Principal <u>Amount</u>
2038	\$405,000
2039 (maturity)	<u>425,000</u>
	\$830,000

The following principal amounts of the Certificates maturing December 1, 2042, are subject to mandatory sinking fund redemption (after credit as described below) on December 1 of the following years:

Redemption Date <u>(December 1)</u>	Principal <u>Amount</u>
2040	\$445,000
2041	465,000
2042 (maturity)	<u>490,000</u>
	\$1,400,000

On or before the 30th day prior to each such sinking fund payment date, the Trustee shall proceed to call the Term Certificates indicated above (or any Term Certificate or Certificates issued to replace such Term Certificates) for redemption from the sinking fund on the next December 1 and give notice of such call without other instruction or notice from the Town.

The amount of each sinking fund installment may be reduced by the principal amount of any Term Certificates of the maturity and interest rate which are subject to sinking fund redemption on such date and which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) or otherwise canceled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, shall be applied in such year or years as may be determined by the Town.

Extraordinary Mandatory Redemption Upon the Occurrence of Certain Events. If the Lease is terminated by reason of the occurrence of (a) an Event of Nonappropriation, (b) an Event of Lease Default, or (c) the Trustee, with the written consent of the Town, fails to repair or replace the Leased Property pursuant to the terms of the Lease, if (1) the Leased Property is damaged or destroyed in whole or in part by fire or other casualty, or (2) title to, or the temporary or permanent use of, the Leased Property has been taken by eminent domain by any governmental body or (3) breach of warranty or any material defect with respect to the Leased Property becomes apparent or (4) title to or the use of all or the Leased Property is lost by reason of a defect in title thereto, and the Net Proceeds of any insurance, performance bond or condemnation award, made available by reason of such occurrences, shall be insufficient to pay in full, the cost of repairing or replacing the Leased Property, and the Town does not appropriate sufficient funds for such purpose or cause the Lease to be amended in order that Additional Certificates may be executed and delivered pursuant to the Indenture for such purpose, then all Outstanding Certificates are required to be called for redemption. If called for redemption, the Certificates are to be redeemed in whole on such date or dates as the Trustee may determine, for a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date (subject to the availability of funds as described below).

If the Net Proceeds, including the Net Proceeds from the exercise of any Lease Remedy under the Lease, otherwise received and other moneys then available under the Indenture are insufficient to pay in full the principal of and accrued interest on all Outstanding Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the Certificates Outstanding, and upon indemnification as to costs and expenses as provided in the Indenture, without any further demand or notice, shall, exercise all or any combination of Lease Remedies as provided in the Lease and the Certificates are to be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such Lease Remedies and all other moneys, if any, then on hand and being held by the Trustee for the Owners of the Certificates.

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys shall be allocated proportionately among the Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys shall be paid to the Town as an overpayment of

the Purchase Option Price. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies, the Trustee shall be entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs and expenses, including attorneys' fees, incurred thereby, from proceeds resulting from the exercise of such Lease Remedies and other moneys.

IF THE CERTIFICATES ARE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT IS DEEMED TO CONSTITUTE REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF SUCH CERTIFICATES, SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE OR THE TOWN.

Partial Redemption. The Certificates are to be redeemed only in integral multiples of \$5,000. The Trustee shall treat any Certificates of denomination greater than \$5,000 as representing that number of separate Certificates each of the denomination of \$5,000 as can be obtained by dividing the actual principal amount of such Certificates by \$5,000. Upon surrender of any Certificates for redemption in part, the Trustee is to execute and deliver to the Owner thereof, at no expense of the Owner, a new Certificates or Certificates of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Certificates so surrendered.

Notice of Redemption. Whenever Certificates are to be redeemed, the Trustee is required to, not less than thirty (30) and not more than sixty (60) days prior to the redemption date (except for Extraordinary Mandatory Redemption notice which is required to be immediate), give notice of redemption to all Owners of all Certificates to be redeemed by Electronic Means or by first class mail, postage prepaid, or in the event that the Certificates to be redeemed are registered in the name of the Depository, such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Depository. Any notice of redemption is to (1) be given in the name of the Trustee, (2) identify the Certificates to be redeemed, (3) specify the redemption date and the redemption price, (4) in the event of optional redemption, state that the Town has given notice of its intent to exercise its option to purchase or prepay Base Rentals under the Lease, (5) state that such redemption is subject to the deposit of the funds related to such option by the Town on or before the stated redemption date and (6) state that on the redemption date the Certificates called for redemption will be payable at the corporate trust office of the Trustee and that from that date interest will cease to accrue. The Trustee may use "CUSIP" numbers in notices of redemption as a convenience to Certificates Owners, provided that any such notice is required to state that no representation is made as to the correctness of such numbers either as printed on the Certificates or as contained in any notice of redemption and that reliance may be placed only on the identification numbers containing the prefix established under the Indenture.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Certificates so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Certificates called for redemption in the same manner as the original redemption notice was given.

## **Tax Covenants**

In the Lease, the Town covenants for the benefit of the owners of the Certificates that it will not take any action or omit to take any action with respect to the Certificates, the proceeds thereof, any other funds of the Town or any facilities financed or refinanced with the proceeds of the Certificates (except for the possible exercise of the Town's right to terminate the Lease as provided therein) if such action or omission (i) would cause the interest on the Certificates to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Certificates to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, or (iii) would cause interest on the Certificates to lose its exclusion from Colorado taxable income or to lose its exclusion from Colorado alternative minimum taxable income under present Colorado law. Subject to the Town's right to terminate the Lease, the foregoing covenant shall remain in full force and effect, notwithstanding the payment in full or defeasance of the Certificates, until the date on which all obligations of the Town in fulfilling the above covenant under the Tax Code and Colorado law have been met.

In addition, the Town has covenanted in the Lease that its direction of investments pursuant to the Indenture shall be in compliance with the procedures established by the Tax Certificate (defined in Appendix B) to the extent required to comply with its covenants contained in the foregoing provisions of the Lease. The Town hereby agreed that, to the extent necessary, it will, during the Lease Term, pay to the Trustee such sums as are required for the Trustee to pay the amounts due and owing to the United States Treasury as rebate payments. Any payment of Town moneys pursuant to the foregoing sentence shall be Additional Rentals for all purposes of the Lease.

## **Book-Entry Only System**

The Certificates will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the Certificates. The ownership of one fully registered Certificate for each maturity as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C - Book-Entry Only System.

**SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OR REGISTERED OWNERS OF THE CERTIFICATES WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.**

Neither the Town nor the Trustee will have any responsibility or obligation to DTC's Participants or Indirect Participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the beneficial owners of the Certificates as further described in Appendix C to this Official Statement.

## BASE RENTALS SCHEDULE

The following table sets forth the schedule of Base Rentals due pursuant to the Lease in each year, including the Principal Component and the Interest Component. The Town previously entered into other lease-purchase agreements in connection with the Prior Certificates, which are also payable from legally available revenues. The Town separately budgets the base rental payments for each of the Prior Certificates and will also separately budget for the Certificates. See “TOWN DEBT STRUCTURE – Long-Term Contracts and Leases” and “TOWN FINANCIAL OPERATIONS –Budget Process.”

Schedule of Base Rentals<sup>(1)(2)</sup>

Calendar Year	Principal Component	Interest Component	Total Base Rentals	2015 Lease Base Rentals	Certificates Base Rentals	2017 Grand Total
2023	\$120,000	\$189,618.06	\$309,618.06	\$100,000	\$ 295,918	\$705,536.06
2024	205,000	311,500.00	516,500.00	100,000	292,839	909,339.00
2025	215,000	301,250.00	516,250.00	100,000	289,172	905,422.00
2026	225,000	290,500.00	515,500.00	100,000	284,933	900,433.00
2027	235,000	279,250.00	514,250.00	100,000	278,533	892,783.00
2028	250,000	267,500.00	517,500.00	100,000	217,628	835,128.00
2029	260,000	255,000.00	515,000.00	100,000	264,031	879,031.00
2030	275,000	242,000.00	517,000.00	100,000	260,860	877,860.00
2031	290,000	228,250.00	518,250.00	67,729	-	585,979.00
2032	300,000	213,750.00	513,750.00	-	-	513,750.00
2033	315,000	198,750.00	513,750.00	-	-	513,750.00
2034	330,000	183,000.00	513,000.00	-	-	513,000.00
2035	350,000	166,500.00	516,500.00	-	-	516,500.00
2036	365,000	149,000.00	514,000.00	-	-	514,000.00
2037	385,000	130,750.00	515,750.00	-	-	515,750.00
2038	405,000	111,500.00	516,500.00	-	-	516,500.00
2039	425,000	91,250.00	516,250.00	-	-	516,250.00
2040	445,000	70,000.00	515,000.00	-	--	515,000.00
2041	465,000	47,750.00	512,750.00	-	-	512,750.00
2042	490,000	24,500.00	514,500.00	-	-	514,500.00
Total	<u>\$6,350,000</u>	<u>3,751,618.06</u>	<u>\$10,101,618.06</u>	<u>\$867,729</u>	<u>\$2,183,914</u>	<u>\$13,153,261.06</u>

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> The Base Rentals are due semi-annually on May 21 and November 20 of each year that the Lease remains in effect (10 days prior to the payment dates for the Certificates). The Trustee will use the Base Rentals to pay the principal and interest due on the Certificates on June 1 and December 1 of each year.

Source: The Underwriter.

## SECURITY FOR THE CERTIFICATES

### **General**

Each Certificate evidences a proportionate interest in the right to receive certain designated Revenues, including Base Rentals, under and as defined in the Lease and the Indenture. Under the Site Lease, the Leased Property has been leased by the Town to the Trustee, and under the Lease, the Leased Property has been leased by the Trustee back to the Town and the Town has agreed to pay directly to the Trustee, Base Rentals in consideration of the Town's right to possess and use the Leased Property. Certain Revenues, including Base Rentals, are required under the Indenture to be distributed by the Trustee for the payment of the Certificates and interest thereon.

The Lease is subject to annual appropriation, non-renewal and, in turn, termination by the Town. The execution and delivery of the Certificates does not directly or contingently obligate the Town to make any payments beyond those appropriated for the Town's then current Fiscal Year. As more fully described under the caption "CERTAIN RISK FACTORS," the Lease is subject to renewal on an annual basis at the option of the Town. The Lease Term and the schedule of payments of Base Rentals are designed to produce moneys sufficient to pay the Certificates and interest thereon when due (if the Town elects not to terminate the Lease prior to the end of the Lease Term).

The Certificates shall not constitute a mandatory charge or requirement of the Town in any ensuing Fiscal Year beyond the current Fiscal Year and shall not constitute or give rise to a general obligation or other indebtedness of the Town or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Town, within the meaning of any constitutional, home rule charter or statutory debt provision or limitation. No provision of the Certificates shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the Town within the meaning of Sections 1 or 2 of Article XI of the Colorado Constitution. The execution and delivery of the Certificates shall not directly or indirectly obligate the Town to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the Town's then current Fiscal Year. Base Rentals and Additional Rentals may be paid from any lawfully available Town monies appropriated for that purpose. See "TOWN FINANCIAL OPERATIONS."

In the event of termination of the Town's obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Town is required to vacate and surrender the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation or an Event of Lease Default has occurred. If an Event of Lease Default shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property which vacation and surrender the Town agrees under the Lease to complete within sixty (60) days from the date of such notice; (ii) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee's leasehold interest in the Leased Property; (iii) recover from the Town (a) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and (b) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such

purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or (iv) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture. In the event the Town does not vacate and surrender possession on the termination date, the “holdover tenant” provisions of the Lease shall apply.

### **Additional Certificates**

So long as no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth in the Indenture. The principal of any Additional Certificates shall mature on December 1 and the interest payment dates therefore shall be the same as the interest payment dates for the Certificates; otherwise the times and amounts of payment of Additional Certificates shall be as provided in the supplemental ordinance or indenture and amendment to the Lease entered into in connection therewith.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Certificates, to provide moneys to pay any one or more of the following:

- (a) the costs of acquiring, constructing, improving and installing any capital improvements of the Town or any New Facility, or of acquiring a Site for any New Facility, or of acquiring a Site for any New Facility (and costs reasonably related thereto);
- (b) the costs of completing the Project or making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Leased Property as the Town may deem necessary or desirable, and as in accordance with the provisions of the Lease; or
- (c) for the purpose of refunding or refinancing all or any portion of Outstanding Certificates or Additional Certificates.

In such case, the Costs of Execution and Delivery of the Additional Certificates and other costs reasonably related to the purposes for which Additional Certificates are being executed and delivered may be included.

Each of the Additional Certificates issued pursuant to the Indenture will evidence a proportionate interest in the rights to receive Revenues under the Indenture and shall be ratably secured with all Outstanding Certificates and in respect of all Revenues and shall be ranked *pari passu* with such Outstanding Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

## THE TOWN

### General

General. Incorporated in 1879, the Town has approximately 2,913 full-time residents and became officially chartered as a Colorado home-rule municipality in 1988. The Town is roughly 70 miles west of Denver, at an elevation of 9,097 feet above sea-level. It is situated along Ten Mile Creek, in the shadow of 12,900 foot Peak One of the Ten Mile mountain range, bordered on the east by Lake Dillon reservoir and is largely surrounded by wilderness areas owned by the U.S. Forest Service. Often referred to as the heart of the County, the Town is conveniently located off of Interstate 70 and very near to three major ski resorts and serves as a central gathering point for tourists and a location for second homeowners (described in more detail in “ECONOMIC AND DEMOGRAPHIC INFORMATION--Recreation and Tourism”).

The basic municipal services provided by the Town include police protection, street construction and maintenance, infrastructure, water services, community development and planning, cultural events, and recreational programs. Sewer and wastewater services are provided by a separate legal entity, the Frisco Sanitation District, which the Town does not manage or control. The Summit Fire & EMS District provides fire-fighting and EMS services to the Town. The Town operates and maintains a vast array of recreational amenities, including the Frisco Bay Marina, the Frisco Historic Park and Museum, the Frisco Adventure Park at the Peninsula Recreation Area, the Frisco Nordic Center, the Frisco/Copper Visitor information Center, numerous multi-purpose ball fields, a disc-golf course, a skateboard park, an extensive paved trail system for all season-use, and several parks, and picnic facilities.

Population. According to the State Division of Local Government, the Town had an estimated permanent population of 2,913 as of the 2020 Census (latest figure available). The Town has an average “peak” population during the last three years of 38,000. Peak population is the total number of people who are in the Town at one time, including permanent residents, second homeowners, day-visitors, day skiers, along with an assumed 100% occupancy of all available lodging units. Peak population is an important figure for the Town because service requirements (including utility infrastructure capacities) are based on the actual number of people using Town services at any one time.

The Town’s existing economy is dominated by the tourism industry and thus the Town’s economic health is dependent upon providing quality winter and summer experiences for the visitor. The Town has evolved into a year-round resort community offering skiing and other winter activities as well as summer activities, including those at the Frisco Bay Marina and Lake Dillon. Numerous recreational activities are available in the vicinity of the Town, including camping, hiking, biking, rock-climbing, in-line skating, horseback riding, fishing, sailing, golfing, and kayaking. See “ECONOMIC AND DEMOGRAPHIC INFORMATION--Recreation and Tourism.”

Annexations. The Town does not anticipate any annexations of property in the near future.

## Town Powers

The Town existed as a statutory town until 1988, when the Charter was adopted by a majority of the electors of the Town. Pursuant to the Charter, the Town has the power of local self-government and home rule, as well as all municipal powers established by the constitution and laws of the State. The Town Council may, by ordinance, provide a system for the assessment, levy, and collection of all Town taxes, including the Sales Tax, Lodging Tax, Real Estate Investment Fee, and other excise taxes.

## Governing Body

Under the Charter, the Town has a Council-Manager form of government, and is governed by a seven-member Council, including a Mayor who is elected specifically to that position and a Mayor Pro Tem, who is elected by the Town Council from its membership. The Mayor and Council Members are compensated for their service; currently the Mayor earns \$1,050 per month and Council Members earn \$600 per month. The Town Council holds regular meetings on the second and fourth Tuesdays of each month. Special meetings may be held as needed in accordance with the Charter.

The present Mayor and members of the Town Council are as follows:

<u>Name and Title</u>	<u>Principal Occupation</u>	<u>First Elected</u>	<u>Term Expires</u>
Hunter Mortensen, Mayor	Professional Ski Patroller	April 2020	April 2024
Rick Ihnken, Mayor Pro-Tem	Firefighter	May 2016	April 2024
Jessica Burley, Councilmember	Sustainability Officer, Town of Breckenridge	April 2016	April 2024
Andrew Aerenson, Councilmember	Real Estate	April 2020	April 2024
Andy Held, Councilmember	Business owner	April 2020	April 2026
Elizabeth Skrzypczak-Adrian	Business owner	April 2022	April 2026
Lisa Holenko	Business owner	April 2022	April 2026

Pursuant to the State Constitution, Council members are limited to two consecutive terms of office. Town voters may lengthen, shorten or eliminate the term limitations; however, no election to do so has been held within the Town.

The Town Council effects its decisions through the passage of ordinances, resolutions, or motions. Every act making an appropriation, creating an indebtedness, authorizing the borrowing of money, levying a tax, establishing any rule or regulation for the violation of which a penalty is imposed, or placing any burden upon or limiting the use of private property, is required to be by ordinance (with the exception of adoption of the budget, which may be done by resolution).

## Administration and Management

The Town has a council-manager form of government. The Town Manager is appointed by the Town Council and serves for a definite or indefinite term as determined by the Town Council (currently, on a contract basis). Town Manager administers the policies of the Mayor and the Town Council. In addition to the Town Manager, the municipal judge, the Town

attorney, and the Town's planning commission are appointed by the Town Council. Other Town employees, including the employees listed below, are hired administratively by staff.

The following is a list of the administrative and management personnel involved in the issuance of the Certificates, their duties, and their background and experience.

Town Manager. The Town Manager is the chief executive and administrative officer of the Town. The Town Manager possesses and exercises all the executive powers and administrative powers vested to him in the Charter. Pursuant to the Charter, the administrative departments of the Town, which are under the general supervision of the Town Manager, consist of those in existence at the time of adoption of the Charter, and such other departments as have thereafter been established by ordinance. The principal departments of the Town presently consist of the finance department, the police department, the department of community development (planning), the department of public works, the department of human resources and the recreation department.

Tom Fisher is an experienced County/Town Manager with over 20 years of public service. Mr. Fisher began his service with the Town in August of 2022. Mr. Fisher previously served the Summit County, Utah for more than 7 years. From 2001 to 2015, Mr. Fisher worked in various leadership roles for Mesa County, Colorado, including the positions of Deputy Administrator for Internal Services, Deputy Administrator for Regional Services, Director of the Regional Transportation Planning Office, and finally as the County Administrator, which is akin to a County Manager role. Mr. Fisher received his Master's Degree in Public Administration in 2001 from San Diego State University (SDSU). He earned his Summa Cum Laude Bachelor's Degree in Criminal Justice in 1998, also from SDSU. In addition to his extensive local government experience, he has also served in leadership positions in the Utah Army National Guard and Army National Guard. Positions held include Brigadier General, Commander of Land Component Command, Deputy Commanding General, and Senior Commander. Fisher honed and utilized his expertise in logistics and engineering during his 32-year military career, which included a deployment to Iraq, relief efforts for hurricanes Katrina and Rita, and support for the 2002 Winter Olympics.

Director of Finance. The Director of Finance ("Finance Director") is responsible for preparation, review, evaluation, and management of Town budget, accounting and information systems, annual audit, debt, cash, and investments. The Finance Director develops, plans, and directs the accounting function and budget process for the Town. The position is responsible for the oversight of all financial operations, including accounts payable, payroll, accounts receivable, cash and investment management, financial reporting, asset inventory, audit, utility billing, and general ledger functions.

Leslie Edwards was hired as Finance Director on October 19, 2021. Prior to joining the Town, she worked for the Town of Breckenridge for sixteen years. While she was with the Town of Breckenridge she served in several roles with the Town of Breckenridge Finance Department, including the Accounting Services Manager from 2016 to 2021. She has a B.A. in Accounting from Michigan State University. In 2015 she received her Certified Public Accountant License from the State of Colorado.

Town Attorney. The Town Attorney is the legal representative of the Town and advises the Town Council and Town officials in matters relating to their official powers and duties. The firm of Murray Dahl Beery Renaud LLP serves as general legal counsel of the Town. Murray Dahl Beery Renaud LLP concentrates its practice in the representation of local governments and litigation involving local government issues.

Thad Renaud, Esq. is a founding partner of Murray Dahl Beery & Renaud LLP. Mr. Renaud's 25 years of legal practice have been concentrated in the areas of local government, land use and real estate law. Prior to the formation of Murray Dahl, he was special counsel with Gorsuch Kirgis LLP. Prior to joining Gorsuch Kirgis, he was senior counsel at Holme Roberts & Owens LLP. Mr. Renaud is currently the Town Attorney for the Town, as well as the City Attorney for the City of Edgewater, Colorado. He also currently serves as special counsel for the Beaver Creek Resort Company of Colorado and as the Associate Municipal Court Judge for the City of Blackhawk, Colorado. Mr. Renaud received his Bachelor of Arts degree from the University of Texas at Arlington in 1990, and his Juris Doctor degree, with honors, from the University of Texas at Austin in 1993. He was admitted to the Colorado Bar in 1993.

### **Town Employees; Benefits; Retirement Plans**

Employees. As of January 1, 2023, the Town currently has 89 full-time employees and 14 full-time seasonal employees and 44 part-time and seasonal employees. None of the Town employees is a member of a labor union. According to the Town Manager, the state of employee relations within the organization is excellent.

Benefits. The Town provides a comprehensive compensation and benefits package to its employees. Benefits include a self-insured medical plan, dental, and vision coverage for employees and dependents (with differing premium levels); a wellness benefit that includes health savings account contributions, wellness reimbursement, Frisco Bay Marina paddle sport & boat rentals, Frisco Nordic passes, Copper Mountain vouchers; 401(a) and 457 retirement plans, supplemental insurance, flexible spending accounts, an employee assistance program, legal shield, vacation, sick days, personal time and paid holidays, telehealth for all employees (including part-time and seasonal), term life insurance, short-term and long-term disability.

The Town self-insures its health insurance for certain Town employees. See Note V.G.2 in the audited financial statements attached hereto as Appendix A for a description of coverage limits and information about historic claims liability.

Retirement Matters. The Town provides pension benefits through a defined contribution money purchase plan administered by ICMA Retirement Corporation. Town employees are eligible to participate in the pension plan upon employment, provided they make elective contributions to the plan. For employees hired after January 1, 2005, vesting of the Town's contribution is 33% after the first year of employment, with an additional vesting of 33% per year through the third year, when vesting is 100%. Employees hired before January 1, 2005 were 100% vested upon employment. During the year ended December 31, 2021, contributions totaled \$229,198. Pursuant to GASB Statement No. 32: Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the Town established a trust to hold the assets of its Deferred Compensation Plan and modified the plan document to state that the plan is "held in trust for the exclusive benefit of participants and their beneficiaries." As such the

plan's assets are not the property and rights of the Town and are not reflected in the financial statements of the Town. See Note V.C. in the audited financial statements attached here to as Appendix A for a further description of the Town's retirement commitments.

## **Intergovernmental and Other Agreements**

The Town is party to numerous intergovernmental and other agreements which impose obligations upon the Town. None of those agreements have a material impact on the Town's legally available revenues.

## **Capital Improvement Plan**

A five-year capital improvement program ("CIP") is presented to the Town Council each year along with the budget for the succeeding year. The current CIP covers the years 2023-27. The capital planning process represents an effort to translate Council discussions of goals and objectives for the Town into budgets over a five-year period. The capital planning process helps assure that priorities for projects are established and that the necessary financial, engineering, and planning factors are given attention. The CIP projects are annually reevaluated and amended to reflect the changing circumstances and financial capability of the Town.

The following table illustrates the 2023-27 CIP and are included in the Town's 2023 budget approved by the Town Council on October 11, 2022.

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Total</u>
Capital Improvement Fund <sup>(1)</sup>	\$19,179,000	\$ 4,754,838	\$ 4,461,843	\$4,177,524	\$5,755,120	\$38,327,325
Water Fund <sup>(2)</sup>	2,600,000	50,000	50,000	50,000	50,000	2,800,000
Housing Fund <sup>(3)</sup>	11,017,500	10,015,000	13,020,000	1,825,000	25,000	35,902,500
Lodging Tax Fund <sup>(4)</sup>	45,000	0	25,000	0	25,000	95,000
Marina Fund <sup>(5)</sup>	<u>491,000</u>	<u>511,000</u>	<u>351,000</u>	<u>470,000</u>	<u>1,970,000</u>	<u>3,793,000</u>
	<u><u>\$33,331,500</u></u>	<u><u>\$15,330,838</u></u>	<u><u>\$17,907,843</u></u>	<u><u>\$6,522,524</u></u>	<u><u>\$7,825,120</u></u>	<u><u>\$80,917,825</u></u>

<sup>(1)</sup> Projects include but are not limited to street and sidewalk improvements, improvements to Town Hall, fiber infrastructure, public art, marina improvements and vehicle and equipment replacement.

<sup>(2)</sup> Projects include PFAS mitigation, water storage tank repair and waiter line replacement.

<sup>(3)</sup> Projects include the Project, Galena Street Project and building management repair and maintenance.

<sup>(4)</sup> Projects include ballfield restoration and turf renovations.

<sup>(5)</sup> Projects include equipment replacements, boat ramp improvements and other improvements to marina buildings.

CIP projects are funded through a variety of sources, including current revenues, carryover funds from prior years, Real Estate Investment Fee, grants, contributions, and certificates of participation. The Town may issue certificates of participation for the Galena Street project, which is a workforce housing project.

## **Risk Management**

The Town is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure against these risks of loss, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency ("CIRSA"), a separate and independent governmental and legal entity formed by intergovernmental agreement among member municipalities. See Note V.G. in the

audited financial statements attached hereto as Appendix A for a further discussion of CIRSA. The Town's current CIRSA coverages include property coverage (including auto), liability coverage (general, auto, law enforcement and public officials' errors and omissions), and crime coverage. Each coverage is subject to self-insured retentions, deductibles and aggregate coverage limits. The Town's current workers compensation coverage is provided by Pinnacol Assurance in accordance with statutory limits. The current coverages expire December 31, 2023. In the opinion of the Town Manager, the Town's insurance policies provide adequate insurance protection for the Town.

## CURRENT SOURCES OF AVAILABLE REVENUE

### General

*No particular funds or sources of revenue are pledged to make Base Rental payments under the Lease.* However, the Town currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from its General Fund. Notwithstanding the foregoing, such Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the Town's available funds in the future.

The Town receives General Fund revenues from a variety of sources, including ad valorem property taxes, auto ownership taxes, various excise taxes (primarily Sales Taxes, Lodging Taxes and Real Estate Investment Fees), licenses and permits, intergovernmental revenues (including motor vehicle fees, highway user taxes, road and bridge taxes, grants and other payments passed through from the State), charges for services, fines and forfeitures, investment income and miscellaneous revenues. Effective June 1, 2022, the Town levies a tax in the amount of 5.0% of the purchase price paid or charged for use of a short-term rental property within the Town (the "Short-Term Rental Tax"). This new tax is in addition to the Lodging Tax owned to the Town for the sale of lodging. The Short-Term Rental Tax are legally available to pay Base Rentals under the Lease.

The significant sources of legally available revenues available in the General Fund in 2021 were Sales Tax, Lodging Tax and Real Estate Investment Fee, each of which is discussed in more detail below. Also see "TOWN FINANCIAL INFORMATION." The Town imposes other excise taxes which are not legally available to pay Base Rentals under the Lease.

### The Town Sales Tax

General. The Town currently levies its sales tax (the "Sales Tax") at a rate of 2.0%. The Sales Tax is administered pursuant to Section 160-8.1 through 160-8.15 of the Town's Town Code (the "Sales Tax Code"). The Charter authorizes the levy of sales taxes after approval of the Town's voters. The Sales Tax initially was imposed at a rate of 2% beginning January 1979.

Overlapping Sales Tax Rate. The total sales tax paid by purchasers within the Town boundaries is 8.375%, comprised of the Town's 2.0% Sales Tax, the State's 2.9% sales tax, and the County's 2.75% sales tax (including a 0.75% mass transit tax) and the Summit Combined Housing Authority's 0.725% sales tax (the "SCHA Tax"). Pursuant to the provisions of a 1970 election within the County, the State (on behalf of the County), distributes revenue from the

County sales tax (imposed at a rate of 2%) collected within the Town directly to the Town (less a vendor fee of 3.33%).

After the voters of the County approved the SCHA Tax, the Town entered into an intergovernmental agreement with other local governments within the County to share the SCHA Tax revenues. The SCHA Tax revenues are deposited into the Town's Housing Fund and used for affordable housing purposes and are legally available to pay Base Rentals under the Lease.

Description of the Sales Tax. The Sales Tax is levied on the purchase price paid or charged upon all sales, purchases, rentals, and leases of tangible personal property at retail (including food) and on specific services as provided in the Sales Tax Code. Taxable transactions are set forth in the Section 160-8.7 of the Sales Tax Code and generally include sales and exchanges of property as well as the sale of tangible personal property for money. Specific services subject to the Sales Tax include, but are not limited to telecommunication; gas, electric and steam services; computer software sales; cable television services; the transaction of furnishing accommodations; and the rental of any tangible personal property, including but not limited to ski rentals, car rentals, bicycle rentals, skate rentals, snowboard rentals and other sporting goods rentals.

The Sales Tax is imposed on all taxable transactions in the Town, subject to certain stated exemptions, including but not limited to the following: automotive vehicles sold to nonresidents of the Town for registration outside of the Town; tangible personal property that is to be used, stored or consumed outside the State by persons residing or doing business outside the State; prosthetic devices and drugs dispensed in accordance with a prescription; sales of therapeutic devices, appliances or related accessories; sales of medical supplies; cigarettes; direct sales to charitable organizational functions and activities, when billed to and paid for by the charitable organization; individual sales of \$25.00 or less by charitable organization in the conduct of events or sales to general funds for charitable purposes; direct sales to the United States government, the State, its departments or institutions and the political subdivisions thereof in their governmental capacities only; sales which the Town is prohibited from taxing under the constitution or laws of the United States or the State; tangible personal property sold to a public utility company or railroad doing business both inside and outside the Town, for use in its business operations outside the Town; motor fuel upon which there has been accrued or paid either the gasoline tax or a special fuel tax required by Article 27 of Title 39, C.R.S. and which is not subject to refund; wholesale sales; tangible personal property sold to a person engaged in manufacturing or processing for sale when the product being manufactured or processed is transformed in fact by the addition of the property and such property becomes a constituent part of the finished product; commercial shipping materials; newspapers; newsprint and printer's ink for use by publishers, newspapers and commercial printers; tangible personal property sole for rental or leasing inventory, including but not limited to coin operated devices; food purchased with federal food stamps or with funds provided by the special supplemental food program for women, infants and children from retailers who qualify; carrier access services, modified or customized software programs; garage sales or yard sales in a residential area, not exceeding a consecutive three-day period nor a total of nine (9) days per calendar year; all sales of feed for livestock; and all sales made before July 1, 2014 of wood from salvaged trees killed or infested in Colorado by mountain pine beetles, including but not limited to products such as lumber, furniture built from the salvaged trees, and fire wood, wood

ships or wood pellets generated from the salvaged trees. Reference is made to Section 160-8.10 of the Sales Tax Code for a complete list of exemptions from the Sales Tax.

Collection and Administration. The Sales Tax is imposed on the purchaser at retail. Vendors have the duty to collect and remit the Sales Tax to the Town. Every vendor is liable and responsible for the payment of an amount equal to 2.0% of all sales made (or services provided) which are subject to the Sales Tax. Vendors make a return of sales and remit 2.0% of such sales to the Finance Director before the 20<sup>th</sup> day of each month for the preceding calendar month. The Sales Tax Code contains penalties for failure to collect and remit Sales Tax. Vendors also must retain three years of records related to collection and remittance of the Sales Tax. Vendors are not entitled to retain any portion of the Sales Tax as a vendor's fee. Pursuant to the Sales Tax Code, all revenues collected by the Town as a result of the elimination of the vendor's fee in 1992 are designated for the Town's Marketing Fund.

The Town collects its own Sales Tax. The Town Finance Director is responsible for the proper administration of the Sales Tax. A license is required for any person to engage in the business of selling tangible personal property at retail within the Town. The Finance Director issues such licenses and may revoke the license of any vendor found to have violated any provision of the Sales Tax Code. In 2022, there were 2,077 Business Licenses within the Town (including vendors, nonprofits, lodges, in-home vendors, seasonal vendors, short-term rentals and chalet homes).

The Finance Director may make refunds upon application of the vendor in accordance with the Sales Tax Code. Refund claims must be made within three years of the date of purchase.

Enforcement and Remedies for Collection of Delinquent Taxes. The Sales Tax constitutes a first and prior lien on the real and personal property of or used by the taxpayer, including without limitation the good, inventory (stock in trade) and business fixtures of such taxpayers. That lien takes precedence over all other liens, encumbrances, security interests and claims of whatsoever kind or nature.

If a retailer neglects or refuses to make a return in payment of the Sales Tax or to pay any Sales Tax as required, the Finance Director makes an estimate, based on available information, of the amount of Sales Tax due and adds to such estimate the amount of \$15 or 10% of the delinquency, whichever is greater, together with interest on such delinquent taxes at an interest rate established pursuant to State law. Written notice of the estimated Sales Tax, penalty and interest is sent by first-class mail to the last-known address of the delinquent taxpayer. Within 20 days after such notice is mailed, the taxpayer may petition the Finance Director for a hearing. Following a hearing, taxpayers may appeal the Finance Director's decision to the courts.

If any taxes, penalties or interest imposed and due are not paid within five days after the same or due, then the Finance Director may issue a notice, setting forth the name of the taxpayer, the amount due, the date of the accrual thereof and the Town's claim to a first and prior lien therefore on the property listed above. The notice may be filed in the office of the county clerk and recorder in the county in which the taxpayer owns real or tangible personal property, and the filing of such notice creates a lien on such property in that county and constitutes notice thereof. The Finance Director also may issue a warrant authorizing the levy, seizure and sale of sufficient

property to satisfy the amount due together with interest, penalties and costs as provided by law. The Finance Director also may seek recovery of any unpaid tax by any appropriate action at law. The Sales Tax Code also provides for fines and/or imprisonment for violation of any of its provisions.

### **History of Sales Tax Collections**

The following table sets forth a history of the portion of the Town's Sales Tax collections deposited into the General Fund since 2016. The table includes sales tax revenues received from the County. Although the Town does not expect any material change in the sales tax revenue distributed by the County to the Town, the Town cannot make any representations regarding the reliability of such revenues in the future.

History of Sales Tax Collections

<u>Year</u>	<u>Sales Tax Revenues<sup>(1)</sup></u>	<u>Percent Change</u>
2016	\$ 8,517,740	-
2017	9,003,384	5.7%
2018	9,607,845	6.7%
2019	10,217,057	6.3%
2020	10,485,217	2.6%
2021	12,018,088	14.6%
2022 <sup>(2)</sup>	13,335,666	11%

<sup>(1)</sup> Collections at a rate of 2% only. Includes only those sales tax revenues deposited to the General Fund and sales tax revenues received from the County. Unaudited year-end information only; subject to accruals and adjustments during the audit process.

<sup>(2)</sup> As of December 31, 2022 (unaudited).

Source: The Town.

Principal Sales Tax Generators. The top 10 individual generators of Sales Tax accounted for approximately 44% of total Sales Tax collected within the Town in 2022; the largest individual generator of Sales Tax accounted for approximately 11% of Sales Tax collected within the Town in 2022. Because of the confidential nature of the gross sales of Sales Tax generators, the identities of the individual vendors and the amount of Sales Tax revenues generated by each vendor cannot be divulged under penalty of law. Because of the small size of the Town, it is not possible to identify individual vendors in the Town generically without revealing the identities of the largest vendors. Accordingly, the following table provides information about the generators of Sales Tax revenues within the Town, by categories.

### Taxable Sales by Category – 2022

Sales Tax Sector	Taxable Sales	% of Total
Construction Supplies	\$ 23,176,150	7.0%
Grocery	66,791,975	20.0
Hotels & Inns	12,600,600	3.8
Liquor & Marijuana	19,777,075	5.9
Restaurants	55,019,200	16.5
Retail	117,062,525	35.1
Utility	13,639,525	4.1
Vacation Rentals	<u>25,324,625</u>	<u>7.6</u>
	\$333,391,675	100.0%

Source: The Town as of December 31, 2022.

### **The Town Lodging Tax**

General. The Town imposes a public lodging tax of 2.35% of the purchase price paid or charged for the leasing or rental of any hotel room, motel room, town home, condominium, time share or other lodging located in the Town as provided in Sections 160-26 through 160-52 of the Town Code (the “*Lodging Tax*”). The Lodging Tax collected are deposited into the General Fund, the Capital Improvements Fund or such other fund as the Town Council may determine from time to time. Since 2012, forty-five percent of the Lodging Tax collected must be used for advertising and marketing of the Frisco Information Center, twenty percent for economic development; twenty percent for recreational amenities, multi-purpose facilities and/or open space; and fifteen percent for operation and maintenance of recreation amenities, multi-purpose facilities, and/or tourism-related operation and maintenance expenses.

Manner of Collection and Administration. The Lodging Tax is collected by persons providing lodging. Those persons are required to hold a Town-issued business license. According to the Town, in 2022 there are 887 Business Licenses collecting Lodging Tax within the Town. Each business must file a return, together with Lodging Tax revenue collected in the preceding month, by the 20th of each month. Business license tax holders must retain records related to the Lodging Tax for a period of three years.

Enforcement and Remedies. The Lodging Tax is a first and prior lien on real property and on tangible personal property in which the person responsible for collecting the tax has an ownership interest, subject to prior valid mortgages or other liens of record at the time of the recording of a tax lien for nonpayment of the Lodging Tax. The Town Manager monitors the Lodging Tax.

History of Lodging Tax Collections. The following table sets forth a history of the portion of the Town’s Lodging Tax collections deposited into the General Tax Fund since 2016.

### History of Lodging Tax Collections

<u>Year</u>	<u>Accommodations Tax Revenues</u>	<u>Percent Change</u>
2016	471,041	-
2017	490,541	4.1%
2018	534,342	8.9%
2019	555,083	3.9%
2020	498,972	(10.1%)
2021	701,513	40.6%
2022 <sup>(2)</sup>	809,962	15.5%

<sup>(1)</sup> Year-to-date collections through December 31, 2022 (unaudited).

Source: The Town.

### **Town Real Estate Investment Fee**

General. Section 160-10 of the Town Code provisions for the Frisco Real Estate Investment Fee (the “*Real Estate Investment Fee*”). The Real Estate Investment Fee generally is an amount equal to 1% of the consideration paid for the transfer of real property and is paid when the transfer is made. Exemptions from the Real Estate Investment Fee are codified in Section 160-15 of the Town Code and include, but are not limited to: transfers for which the consideration is \$500 or less; transfers in which the United States or an agency thereof or the State or a political subdivision thereof is the grantee; true gifts of real property; change of title or interest by reason of death; certain transfers made among related corporations; transfers made to effect a lien confirmed in a bankruptcy situation; transfers made for the purpose of clearing title, granting easements or making minor boundary adjustments; termination of co-ownerships where no consideration is paid for such termination; decrees of a court quieting or vesting title; transfers between spouses made pursuant to a separation agreement or dissolution of marriage; transfers of cemetery lots; any mineral transfer or royalty transfer; transfers made to satisfy debt or other obligations or release property which is security for a debt or other obligation; transfers by deed in lieu of foreclosure under certain circumstances; and transfers in connection with execution sales or foreclosure sale or judicial decrees under certain circumstances.

The purchaser or grantor must apply for and obtain a certificate of exemption for any transaction that qualifies for an exemption from the Real Estate Investment Fee. The certificate must be issued by the Town Manager no less than three (3) business days prior to the date on which the tax is payable. If the Town Manager denies an exemption, appeal is to the Town Council. If an application is not granted before a transfer takes place, the Real Estate Investment Fee must be paid at the time of transfer and a refund will be granted later if the exemption is allowed. The Real Estate Investment Fee is due and payable at the time of the transfer and constitutes a perpetual lien property over all other liens except general tax liens and special improvement district assessments.

Manner of Collection. The person responsible for payment of the Real Estate Investment Fee is the purchaser or the person to whom the transfer is made. The Town has implemented various measures to facilitate the collection and enforcement of the Real Estate Investment Fee. The Town has adopted and recorded an ordinance providing notice to purchasers of real property in the Town of the existence of the Real Estate Investment Fee. The practical

effect of that notice is that title companies generally require proof of payment of the tax as a condition to the issuance of a title policy.

Enforcement and Remedies. If the Real Estate Investment Fee is not paid within 30 days of the transfer it is considered delinquent and a delinquency penalty of 10% of the tax due shall accrue for each thirty-day period during which the fee has not been paid. In addition, interest shall accrue at the rate of 1.5% per month on the amount of the tax from the date the tax becomes delinquent to the date of payment. Interest and penalty accrued become part of the tax due. The Town may foreclose the lien in the manner provided by State law for the foreclosure of mortgages.

History of Real Estate Investment Fee Collections. The following table sets forth a history of Real Estate Investment Fee collections since 2016.

History of Real Estate Real Estate Investment Fee Collections

<u>Year</u>	Real Estate Transfer <u>Tax Revenues</u>	Percent <u>Change</u>
2016	\$1,389,027	-
2017	1,293,353	(6.9%)
2018	1,415,715	9.5%
2019	1,542,417	8.9%
2020	2,070,516	34.2%
2021	2,773,501	25.3%
2022 <sup>(1)</sup>	1,957,428	(29.4%)

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(1) Year-to-date collections through December 31, 2022 (unaudited).

Source: The Town.

### **Other Town Excise Taxes**

The Town imposes or receives other excise taxes, including cigarette taxes, nicotine tax, marijuana taxes, short-term rental property, utility taxes, and franchise fees. The cigarette tax revenues are those distributed to the Town from the State according to the percentage of State sales tax collections within the Town. The County also imposes special sales taxes on the sale of cigarettes, tobacco products and nicotine products and shares the revenue with the Town. The Town imposes an excise tax on medical marijuana and retail marijuana. The utilities tax is imposed on each telephone utility company operating in the Town. Franchise fees are collected from private utilities (currently telephone, cable and gas/electric) in respect of the provision of service within the Town.

None of these sources of revenue accounted for more than 5% of the total revenues in the General Fund in 2021.

### **General Fund - Budget Summary and Comparison**

General. Set forth in the following tables are comparisons of the Town's General Fund and Capital Improvements Fund budgets for 2021, 2022 and 2023, compared to actual (unaudited results for the eleven-month periods ending November 30, 2021 and 2022. The tables

below are presented in budgetary format and are not intended to conform to generally accepted accounting principles (“GAAP”).

Fund Balance Policies. In addition to the Town’s required reserves, the Town maintains the following reserves:

- Operations reserve (aka “Rainy-day fund”) equal to 7 months of current year budgeted General Fund expenditures.
- Amounts in excess of the Rainy-day fund are required to be transferred to the Capital Improvement Fund for capital projects.

In 2020, as a result of the Covid-19 pandemic, the Town Council chose to forego any transfer to the Capital Improvement Fund until a budget re-evaluation in the second quarter of 2021; amounts in excess of the required seven month reserve was retain in the General Fund as a budget stabilization reserve. These Covid-19 measures were not taken for the 2022 or 2023 Budget.

**Budget Summary and Comparison - General Fund**

	<u>2021 Final Budget</u>	<u>2021 Actual</u>	<u>2022 Final Budget</u>	<u>2022 Actual<sup>(1)</sup></u>	<u>2023 Budget</u>
<b>Revenues</b>					
Taxes	\$9,816,511	\$13,088,079	\$12,137,511	\$14,417,651	\$15,100,074
Licenses & Permits	468,500	663,963	610,100	904,928	654,900
Intergovernmental	206,000	770,268	662,000	693,830	250,000
Charges for Services	3,288,600	2,495,833	3,209,150	3,442,168	3,480,300
Investment Income	32,000	10,382	19,000	88,919	10,000
Other Revenues	<u>133,500</u>	<u>392,378</u>	<u>171,500</u>	<u>256,714</u>	<u>193,075</u>
<b>Total Revenues</b>	<b>\$13,945,111</b>	<b>\$17,420,903</b>	<b>\$16,809,261</b>	<b>\$19,804,210</b>	<b>\$19,688,349</b>
<b>Expenditures</b>					\$
General Government	4,128,684	5,164,805	4,935,297	5,452,555	4,292,458
Public Safety	1,669,808	1,447,067	1,789,988	1,784,538	2,311,981
Community Development	1,432,322	1,480,323	1,588,087	1,492,589	2,000,731
Public Works	2,202,320	1,990,149	2,619,913	2,312,937	3,322,297
Culture and Recreation	<u>3,721,237</u>	<u>2,224,260</u>	<u>4,229,905</u>	<u>3,552,910</u>	<u>4,892,569</u>
<b>Total Expenditures</b>	<b>\$13,154,237</b>	<b>\$12,306,604</b>	<b>\$15,163,190</b>	<b>\$14,595,529</b>	<b>\$16,819,946</b>
<b>Other Sources (uses)</b>					
Transfers In – Capital Improvement Fund	-	-	-	-	--
Transfers Out – Capital Improvement Fund		(13,767,605)		(928,193)	(3,372,584)
Transfers Out – Insurance Reserve Fund	-	-	-	(1,687,338)	--
Transfers Out – Housing Fund	-	-	-	-	--
<b>Net Change in Fund Balance</b>	<b>790,740</b>	<b>(8,653,306)</b>	<b>717,878</b>	<b>4,280,488</b>	<b>(2,191,519)</b>
<b>Unavailable Fund Balance</b>	<b>--</b>	<b>-</b>	<b>--</b>	<b>-</b>	<b>799,480</b>
<b>Unassigned Fund Balance – January 1</b>	<b>14,367,595</b>	<b>17,052,179</b>	<b>6,901,032</b>	<b>8,398,873</b>	<b>10,757,408</b>
<b>Unassigned Fund Balance – December 31</b>	<b>\$15,158,335</b>	<b>\$8,398,873</b>	<b>\$7,618,910</b>	<b>\$12,679,361</b>	<b>\$ 8,565,889</b>

<sup>(1)</sup> Unaudited, interim information only.

Source: Derived from the Town's 2021 budget and 2021 audited information, 2022 budget and unaudited interim information, and 2023 budget provided by the Town.

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Major capital projects (items costing \$5,000 or more) are budgeted in the Capital Improvement Fund. As stated above, in 2020 the Town did not transfer from the General Fund until a budget re-evaluation was completed in the 2<sup>nd</sup> quarter of 2021.

Budget Summary and Comparison – Capital Improvement Fund

	<u>2021 Final Budget</u>	<u>2021 Actual</u>	<u>2022 Final Budget</u>	<u>2022 Actual<sup>(1)</sup></u>	<u>2023 Budget</u>
Revenues					
Real Estate Transfer Fees	\$ 1,400,000	\$ 2,773,501	\$ 2,200,000	\$ 1,957,428	\$ 1,500,000
Intergovernmental Grants	84,195	105,584	--	79,153	50,000
Investment Income	30,000	2,470	6,000	93,994	6,000
Other Revenues	--	16,628	--	-	--
Total Revenues	\$ 1,514,195	\$ 2,898,183	\$ 2,206,000	\$ 2,130,575	\$ 1,556,000
Expenditures					
Capital Outlay	1,955,195	\$ 1,715,034	11,797,400	\$ 5,350,972	17,368,000
Debt Service <sup>(2)</sup>	535,807	402,576	537,890	404,972	395,795
Agent Fees	2,000	2,800	2,000	-	--
Other	--	--	--	--	33,000
Total Expenditures	\$ 2,493,002	\$ 2,120,410	\$ 12,337,290	\$ 5,755,944	\$ 19,606,795
Other Sources (uses)					
Capital Interest Subsidy	--	-	--	-	--
Loan Proceeds	--	-	--	-	--
Repayment of Loan from Water Fund	--	-	--	-	(95,000)
Sales of Assets	70,000	14,190	--	3,925	10,000
Miscellaneous/Rental Income	73,440	-	--	-	--
Transfers out – General Fund	--	-	--	(466,257)	--
Transfers In – General Fund	--	13,480,105	928,193	928,193	3,372,584
Transfer In – Conservation Trust Fund	--	-	--	-	130,000
Transfer In – Lodging Tax	--	-	--	-	815,000
Net Change in Fund Balance	(835,367)	14,272,068	(9,203,097)	(3,159,508)	(13,818,211)
Unavailable Fund Balance					--
Unassigned Fund Balance – January 1	1,915,902	3,406,379	16,353,564	17,678,447	14,272,460
Unassigned Fund Balance – December 31	\$ 1,083,535	17,678,447	\$ 7,353,567	14,518,939	\$ 454,249

<sup>(1)</sup> Unaudited, interim information only.

<sup>(2)</sup> The Town pays for its copier leases, the 2015 Certificates and Water Fund and Capital Improvement Fund Loan. See Note IV. E, F.1., and G.2.A in the audited financial statements attached hereto as Appendix A for a further discussion on these payments.

Source: Derived from the Town's 2021 budget and 2021 audited information, 2022 budget and unaudited interim information, and 2023 budget provided by the Town.

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## **General Fund - History of Revenue, Expenditures and Changes in Fund Balance**

The following table provides a five-year comparative statement of revenues, expenditures and changes in fund balance in the General Fund for the years 2017 through 2021. This table has been derived from the Town's audited financial statements for the years 2017 through 2021.

The information in this table should be read together with the Town's audited basic general-purpose financial statements for the year ended December 31, 2021, and the accompanying notes included as Appendix A to this Official Statement. Audited financial statements for prior years may be obtained from the sources listed in "INTRODUCTION--Additional Information."

### General Fund-History of Revenues, Expenditures and Changes in Fund Balances

<b>Revenues</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022<sup>(1)</sup></b>
Taxes	\$ 9,874,864	\$10,498,855	\$11,153,119	\$11,516,311	\$13,088,079	\$14,417,651
Licenses and permits	445,918	627,894	654,070	500,791	663,963	904,928
Intergovernmental	266,401	273,797	276,481	1,020,843	770,268	693,830
Charges for services	3,525,690	3,521,017	3,645,371	2,513,018	2,495,833	3,442,168
Investment Income	59,365	126,495	219,985	95,332	10,392	88,919
Other Revenues	<u>42,656</u>	<u>56,673</u>	<u>85,240</u>	<u>284,774</u>	<u>392,378</u>	<u>256,714</u>
Total Revenues	<u><u>\$14,214,894</u></u>	<u><u>\$15,104,731</u></u>	<u><u>\$16,034,239</u></u>	<u><u>\$15,931,069</u></u>	<u><u>\$17,420,903</u></u>	<u><u>\$19,804,210</u></u>
 <b>Expenditures</b>						
General government	3,121,799	3,715,707	4,084,286	4,814,347	5,164,805	5,452,555
Public safety	1,473,245	1,404,537	1,457,574	1,381,818	1,447,067	1,784,538
Community development	1,328,378	1,522,306	1,505,557	1,311,296	1,480,323	1,492,589
Public works	1,832,232	1,891,301	1,989,535	1,957,973	1,990,149	2,312,937
Culture and recreation	<u>2,714,222</u>	<u>2,749,410</u>	<u>2,844,351</u>	<u>2,254,421</u>	<u>2,224,260</u>	<u>3,552,910</u>
Total Expenditures	<u><u>\$10,469,876</u></u>	<u><u>\$11,283,261</u></u>	<u><u>\$11,881,303</u></u>	<u><u>\$11,719,855</u></u>	<u><u>\$12,306,604</u></u>	<u><u>\$14,595,529</u></u>
 <b>Excess of Revenues Over (Under) Expenditures</b>						
	3,745,018	3,821,470	4,152,936	4,211,214	5,114,299	5,208,681
 <b>Other Financing Sources (Uses)</b>						
Transfers in	--	--	--	4,700,000	--	0
Transfers out	(3,350,000)	(2,191,510)	(3,304,674)	--	(13,767,605)	-928,193
Total Other Sources (Uses)	(3,500,000)	(2,191,510)	(3,304,674)	--	(13,767,605)	-928,193
 <b>Net Change in Fund Balance</b>						
	395,018	1,629,960	848,262	8,911,214	(8,653,306)	4,280,488
 <b>Fund Balance – January 1</b>	\$ 5,267,734	\$ 5,662,752	\$ 7,292,712	\$ 8,140,965	\$17,052,179	8,398,873
<b>Fund Balance - December 31</b>	\$ 5,662,752	\$ 7,292,712	\$ 8,140,974	\$17,052,179	\$ 8,398,873	\$12,679,361

(1) Unaudited.

Source: Derived from the Town's audited financial statements for the years ended December 31, 2017 through 2021.

## **Capital Improvement Fund - History of Revenue, Expenditures and Changes in Fund Balance**

The following table provides a five-year comparative statement of revenues, expenditures and changes in fund balance in the Capital Improvement Fund for the years 2017 through 2021. This table has been derived from the Town's audited financial statements for the years 2017 through 2021.

The information in this table should be read together with the Town's audited basic general-purpose financial statements for the year ended December 31, 2021, and the accompanying notes included as Appendix A to this Official Statement. Audited financial statements for prior years may be obtained from the sources listed in "INTRODUCTION--Additional Information."

(Chart follows on next page.)

Capital Improvement Fund-History of Revenues, Expenditures and Changes in Fund Balances

<b>Revenues</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022<sup>(4)</sup></b>
Taxes – Real Estate Transfer Fees	\$1,293,353	\$1,415,715	\$1,542,417	\$2,070,516	\$2,773,501	\$1,957,428
Intergovernmental Grants	--	--	391,974	109,792	105,584	79,153
Investment Income	37,409	116,072	136,049	75,852	2,470	93,994
Capital Interest Subsidy	35,668	--	--	--	--	-
Miscellaneous	--	--	7,796	2,201	16,628	-
Total Revenues	<u>\$1,366,430</u>	<u>\$1,531,787</u>	<u>\$2,078,236</u>	<u>\$2,258,361</u>	<u>\$2,898,183</u>	<u>\$2,130,575</u>
<b>Expenditures</b>						
General Government – Agent Fees	1,500	1,500	1,500	1,569	2,800	-
Capital Outlay	1,237,006	5,400,413	2,745,945	1,882,051	1,715,034	5,350,972
Cost of Issuance	74,559	--	--	--	--	-
Debt Service						
Principal	437,062	274,712	282,573	295,627	303,781	313,136
Interest	<u>212,837</u>	<u>145,370</u>	<u>141,420</u>	<u>119,768</u>	<u>98,795</u>	<u>91,836</u>
Total Expenditures	<u>\$1,962,964</u>	<u>\$5,821,995</u>	<u>\$3,171,438</u>	<u>\$2,299,015</u>	<u>\$2,120,410</u>	<u>\$5,755,944</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(596,534)	(4,290,208)	(1,093,202)	(40,654)	777,773	(3,625,369)
<b>Other Financing Sources (Uses)</b>						
Certificate of Participation Debt Proceeds	2,487,000	--	--	--	--	-
Payment to refund bond escrow agent	(2,500,000)	--	--	--	--	-
Sale of assets <sup>(3)</sup>	45,973	769,292	69,527	6,500	14,190	3,925
Transfers Out <sup>(1)</sup>	--	--	--	(4,700,000)	--	(466,257)
Transfers In <sup>(2)</sup>	<u>3,350,000</u>	<u>2,195,510</u>	<u>3,304,674</u>	<u>--</u>	<u>13,480,105</u>	<u>928,193</u>
Total Other Sources (Uses)	<u>\$3,382,973</u>	<u>\$2,964,802</u>	<u>\$3,374,201</u>	<u>\$4,693,500</u>	<u>\$13,494,295</u>	<u>\$932,118</u>
<b>Net Change in Fund Balance</b>	2,786,439	(1,329,406)	2,280,999	(4,734,154)	14,272,068	(2,521,122)
<b>Fund Balance – January 1</b>	4,402,501	7,188,940	5,859,534	8,140,533	3,406,379	17,678,447
<b>Fund Balance - December 31</b>	\$7,188,940	\$5,859,534	\$8,140,533	\$3,406,379	\$17,678,447	\$15,157,325

Source: Derived from the Town's audited financial statements for the years ended December 31, 2017 through 2021.

- (1) In 2020, the Town transferred out these funds to the General Fund.
- (2) These funds are transferred out of the General Fund into the Capital Improvement Fund.
- (3) In 2018, the Town sold two housing units.
- (4) Unaudited.

## **Estimated Overlapping General Obligation Debt**

In addition to general obligation indebtedness the Town may issue, other taxing entities are authorized to incur general obligation debt within boundaries which overlap or partially overlap the boundaries of the Town. The following table sets forth the estimated overlapping general obligation debt chargeable to property owners within the Town as of the date of this Official Statement. Additional taxing entities may overlap the Town in the future.

### Estimated Overlapping General Obligation Debt

<u>Entity</u>	<u>2021 Assessed Valuation</u>	<u>Outstanding General Obligation Debt</u>	<u>Outstanding General Obligation Debt Chargeable to the Town</u>	<u>Percent Debt</u>
Summit County	\$2,477,541,750	--	10.66%	
Summit School District	2,441,567,490	67,825,000	10.82	7,337,942
Summit Fire and EMS	1,279,449,430	--	20.65	
Frisco Sanitation District	284,222,980	--	92.94	
Total Overlapping Debt		70,843,005		7,337,942

Sources: Town's 2021 Audit.

## **TOWN FINANCIAL OPERATIONS**

*The Certificates are not obligations of the Town, and the Town's obligation to pay Base Rentals and Additional Rentals pursuant to the Lease is subject to the annual appropriation of such amounts by the Town Council. See "SECURITY FOR THE CERTIFICATES" and "CERTAIN RISK FACTORS." The information in this section is provided for informational purposes only and does not indicate that any of the sources of revenue described herein are pledged to the payment of the Certificates or that any such revenue is currently available to pay Base Rentals under the Lease.*

### **Budget Process**

Pursuant to the Charter, the Town budget is submitted by the Town Manager to the Town Council once a year. The prepared budget is required to provide a complete financial plan of all Town funds and activities for the ensuing fiscal year. In addition, the Town Manager is required annually to submit to the Town Council a capital program for the Town's infrastructure, equipment, and public buildings for the next five years. See "THE TOWN--Capital Improvement Plan."

A public hearing is conducted on the proposed budget and proposed capital program at least 45 days before the end of the fiscal year. After the public hearing, the Town Council may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law or for debt service or for estimated cash deficits. The Town Council must adopt a budget by resolution on or before the final day of its fiscal year. If it fails to adopt

the budget by this date, the amounts appropriated for current operation for the current fiscal year are deemed adopted for the ensuing fiscal year on a month-to-month basis, until the Town Council adopts a budget for the ensuing fiscal year. Adoption of the budget by the Town Council constitutes appropriation of the amounts specified therein for expenditure from the funds indicated. The Town Council is required to cause the property tax levy to be certified to the County no later than December 22 of each year for collection as required by law.

The Charter provides that if, during the fiscal year the Town Manager certifies that there are available for appropriation revenues in excess of those estimated in the budget, the Town Council by resolution may make supplemental appropriations for the year up to the amount of such excess. In addition, to meet a public emergency affecting life, health, property or the public peace, the Town Council may make emergency appropriations.

Furthermore, the Charter requires that if, at any time during the fiscal year, it appears probable to the Town Manager that the revenues available will be insufficient to meet the amount appropriated, he must report such deficit to the Town Council, which must then take such action as necessary to prevent or minimize any deficit. For that purpose, the Town Council may by ordinance reduce one or more appropriations. Further, any unencumbered appropriation balance among programs within a department or agency may be transferred to another department, upon approval by the Town Council, acting by resolution.

## **Financial Statements**

The “Colorado Local Government Audit Law” and the Charter require that an independent annual audit be made of the Town’s financial affairs at the end of the fiscal year. Pursuant to the Charter the audited financial statements of the Town must be completed within four months of the close of the fiscal year. Pursuant to State law, the Town must forward a copy of its audit report to the State auditor within thirty days after receipt of such audit report. The Town filed its 2021 audit in a timely fashion.

The Town’s financial statements for the year ended December 31, 2021, are attached to this Official Statement as Appendix A. The audited financial statements for the year ended December 31, 2021 represent the most recent audited financial statements of the Town.

## TOWN DEBT STRUCTURE

### **General**

The following is a discussion of the Town's authority to incur general obligation indebtedness and other financial obligations and the amount of such obligations presently outstanding.

#### **General Obligation Debt**

General. Indebtedness and other obligations of the Town may be incurred as provided in the Charter and in accordance with Article X, Section 20 of the State constitution (the "Taxpayers Bill of Rights" or "TABOR"). The Town Council has the power to contract indebtedness on behalf of the Town and upon the credit thereof by borrowing money or issuing bonds or other obligations. General obligation bonds may be issued only pursuant to an ordinance and the approval, at a special or regular election, of a majority of the registered electors voting thereon. Pursuant to the TABOR, the Town may refund existing debt at a lower interest rate without an election; however, the Amendment requires all other multiple fiscal year obligations to have voter approval.

Limitation on Indebtedness. Pursuant to the Charter, there is no limitation as to the amount of bonds and securities which may be issued by the Town, subject to the election provisions of the Charter, the election provisions of TABOR, and the provisions of any authorizing bond ordinances.

Outstanding General Obligations. The Town currently has no general obligation debt outstanding.

#### **Special Revenue Obligations**

The Town has the power to issue revenue bonds for the purpose of purchasing, constructing, or otherwise acquiring, extending, or improving any municipal utility system or other income producing project payable solely from the net revenue derived from the operation of such system or project. In addition, revenue bonds may be issued for any public purpose and made payable from any taxes (except general ad valorem property taxes) which generate revenue for the Town. Such obligations do not constitute an indebtedness of the Town; however, TABOR requires that all multiple fiscal year obligations of the Town have voter approval. The issuance of revenue bonds by the Town acting by and through a properly qualified enterprise would be exempt from the provisions of TABOR. See "LEGAL MATTERS--Certain Constitutional Limitations."

In 2019 the Town, acting by and through its Marina Enterprise, the \$5,450,000 Marina Enterprise Revenues Bonds, Series 2019. Pursuant to its ordinance, the Town is required to make principal and interest payments through December 1, 2048. The 2019 Bonds are secured by revenues of the Frisco Bay Marina.

## **Special Assessment Bonds**

The Town has the authority, pursuant to the Charter, to issue special assessment bonds subject to voter approval of all multiple-year fiscal obligations as set forth in the Amendment. Special assessment bonds are payable solely from moneys to be collected by the Town from special assessments levied upon properties within special improvement districts and are not a debt of Town nor is any revenue of the Town to be pledged to the repayment of such bonds. The Town presently has no outstanding special assessment bonds.

## **Short-Term Borrowing**

The Town may borrow money without an election by issuing short-term notes. Such short-term notes must mature within the fiscal year in which they are issued. The Town has done no short-term borrowing in the current fiscal year.

## **Long-Term Contracts and Leases**

In addition to the lease-purchase agreements entered into for the Prior Certificates, the Town Council may enter into lease-purchase and installment-purchase agreements as a means of acquiring any real or personal property for public purposes.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding Summit County. It is intended only to provide prospective investors with general information regarding the Town's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The Town makes no representation as to the accuracy or completeness of data obtained from parties other than the Town.

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the Town. It is intended only to provide prospective investors with general information regarding the Town's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The Town makes no representation as to the accuracy or completeness of data obtained from parties other than the Town.

### Population

The following table sets forth a history of the populations of the Town, the County and the State. Between 2010 and 2020, the Town's population increased 8.6%. During the same time period, the populations of the County and State increased 10.9% and 14.8%, respectively.

<u>Population</u>						
Year	Town of Frisco	Percent Change	Summit County	Percent Change	Colorado	Percent Change
1980	1,221	--	8,848	--	2,889,735	--
1990	1,601	31.1%	12,881	45.6%	3,294,394	14.0%
2000	2,443	52.6	23,548	82.8	4,301,261	30.6
2010	2,683	9.8	27,994	18.9	5,029,196	16.9
2020	2,913	8.6	31,055	10.9	5,773,714	14.8
2021	2,859	--	30,970	--	5,814,707	--

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Sources: United States Department of Commerce, Bureau of the Census (1980-2020); and Colorado State Demography Office (2021 estimates, which are subject to periodic revisions).

## **Income**

The following table sets forth annual per capita personal income levels for the County, the State and the United States.

<u>Per Capita Personal Income</u>			
Year <sup>(1)</sup>	Summit County	Colorado	United States
2017	\$64,768	\$55,251	\$51,550
2018	68,909	58,453	53,786
2019	76,517	62,124	56,250
2020	81,157	65,358	59,765
2021	86,390	70,706	64,143

<sup>(1)</sup> Figures for Summit County updated November 16, 2022; state and national figures updated September 30, 2022. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

## **Employment**

The following table presents information on employment within the County, the State and the United States for the time period indicated.

<u>Labor Force and Percent Unemployed</u>					
Year	Summit County <sup>(1)</sup>		Colorado <sup>(1)</sup>		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2017	21,663	1.7%	2,963,789	2.6%	4.4%
2018	22,291	2.0	3,049,640	3.0	3.9
2019	22,770	1.7	3,100,598	2.6	3.7
2020	21,962	9.3	3,087,271	6.9	8.1
2021	22,727	4.0	3,156,110	5.4	5.3
<u>Month of December<sup>(2)</sup></u>					
2021	24,933	2.3%	3,184,396	3.6%	3.9%
2022	25,007	1.7	3,229,977	2.8	3.5

<sup>(1)</sup> Figures for the County and the State are not seasonally adjusted.

<sup>(2)</sup> Due to the seasonal nature of much of the employment in the County, the monthly estimates are not necessarily representative of overall employment in the area.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Labor Force Data and United States Department of Labor, Bureau of Labor Statistics.

The following table sets forth the number of individuals employed within selected Summit County industries that are covered by unemployment insurance. In 2021, the largest employment sector in the county was accommodation and food services (comprising approximately 31.8% of Summit County's work force), followed, in order, by retail trade; arts, entertainment and recreation; government; and construction. For the 12-month period ended December 31, 2021, total average employment in the County increased 7.1% as compared to the same 12-month period ending December 31, 2020. Total average wages increased 4.1% during the same time period.

Average Number of Employees within Selected Industries - Summit County

Industry	2017	2018	2019	2020	2021	2022 <sup>(3)</sup>
Accommodation and Food Services	7,039	7,207	7,399	5,889	6,676	7,495
Administrative and Waste Services	900	941	1,001	970	995	862
Agriculture, Forestry, Fishing, Hunting	16	16	16	15	16	16
Arts, Entertainment and Recreation	1,546	1,729	1,783	1,418	1,641	1,948
Construction	1,291	1,391	1,467	1,391	1,392	1,295
Educational Services	950	919	914	817	808	847
Finance and Insurance	253	262	262	259	257	273
Government	1,593	1,606	1,630	1,544	1,528	1,513
Health Care and Social Assistance	1,350	1,325	1,345	1,256	1,268	1,205
Information	173	178	169	151	153	139
Management of Companies/Enterprises	25	30	44	52	52	50
Manufacturing	180	215	234	253	322	339
Mining	n/a <sup>(2)</sup>					
Non-classifiable	n/a <sup>(2)</sup>	9				
Other Services	564	561	589	515	521	644
Professional and Technical Services	678	683	695	700	791	894
Real Estate, Rental and Leasing	1,118	1,100	1,136	1,088	1,199	1,318
Retail Trade	2,963	2,827	2,824	2,667	2,779	2,948
Transportation and Warehousing	361	357	347	289	287	304
Utilities	87	88	90	89	90	89
Wholesale Trade	191	193	166	141	134	149
Totals <sup>(1)</sup>	<u>21,391</u>	<u>21,726</u>	<u>22,207</u>	<u>19,593</u>	<u>20,985</u>	<u>22,398</u>

<sup>(1)</sup> Figures may not equal totals when added due to the rounding of averages or the inclusion of employees in the total that were not disclosed in individual classifications.

<sup>(2)</sup> Data was not released due to confidentiality.

<sup>(3)</sup> Figures are averaged through the second quarter of 2022.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

A selection of some of the largest employers in the Town is set forth below. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employers in the Town.

#### Major Employers in the Town

Employer	Number of Employees	(1) Percentage of Total County Employment
Town of Frisco	100 to 249	0.005 - 0.013%
St. Anthony Summit Medical Center *	100 to 249	0.005 - 0.013%
Summit High School *	100 to 249	0.005 - 0.013%
Whole Foods	100 to 249	0.005 - 0.013%
KCNC	100 to 249	0.005 - 0.013%
Wal-Mart	100 to 249	0.005 - 0.013%
Herbal Bliss	100 to 249	0.005 - 0.013%
Summit Middle School *	50 to 99	0.005 - 0.013%
Outer Range Brewery	50 to 99	0.003 - 0.005%
Baymont By Wyndham Frisco Lake	50 to 99	0.003 - 0.005%
Safeway	50 to 99	0.003 - 0.005%
Summit County Ambulance *	50 to 99	0.003 - 0.005%
Summit Stage *	50 to 99	0.003 - 0.005%

(\*) This employer is located near, but not within, the municipal limits of the Town.

(1) Total employees within the County is 19,914.

Source: The Town's *Annual Comprehensive Financial Report* for the year ended December 31, 2021.

#### **Recreation and Tourism**

Year-round tourism and skiing-related businesses account for a significant portion of the employment and earned income of area residents.

General. The Town's economy is focused on catering to tourists who come to enjoy winter and summer recreational activities. The Town derives substantial revenues from retail trade, short-term rentals, restaurants, lodging and real estate. Severe and protracted declines in winter snowfall or adverse economic conditions that reduce visits to nearby Breckenridge Ski Resort (the "Ski Resort") will adversely affect the economy of the Town. Lower consumer spending will also affect collections of excise tax revenues.

The Ski Industry in the State. A study of Colorado's travel and tourism market (conducted by Longwoods International for the Colorado Tourism Office) reflected a strong economic recovery in 2021, the most recent year available. According to the study, total day and overnight trips to Colorado totaled 84.2 million, an increase of 10.1 million over 2020 when the pandemic sharply curtailed travel and tourism. Overnight trips accounted for 43.1 percent of those trips (36.3 million) and overnight visitors spent a record-tying \$17.0 billion.

Skier Visit Information. Vail Resorts, Inc. (“Vail Resorts”), a publicly held company (NYSE: MTN), headquartered in Broomfield, Colorado, and the owner of the Ski Resort, no longer provides figures for individual ski areas. The National Ski Areas Association (“NSAA”), the ski industry’s trade group, however, reported that ski areas in the United States tallied a record 60.7 million skier visits during the 2021-22 season. This figure represents an increase of 2.9 percent over the 2020-21 season. (A skier visit represents a person participating in the sport of skiing or snowboarding for any part of one day at a mountain resort.) NSAA also reported that the Rocky Mountain Region (Colorado, Idaho, Montana, New Mexico, Utah and Wyoming) saw a record 25.2 million skier visits during the 2021-22 season.

The Ski Resort. Vail Resorts is the current owner of the Ski Resort. Vail Resorts also owns and operates Keystone Resort, another ski area located in the County east of the Town, as well as the Vail and Beaver Creek ski areas in neighboring Eagle County.

The Ski Resort is located in the Town of Breckenridge, approximately ten miles south of the Town, and has a vertical rise of 3,398 feet. The Ski Resort offers skiing and snowboarding for all levels with more than 2,900 acres spread across five interconnected mountains (Peaks 6, 7, 8, 9 and 10). The Ski Resort’s present facilities include 187 trails accessed by 35 lifts, including an eight-passenger gondola, five high-speed six-passenger SuperChairs and seven high-speed quad lifts. The Ski Resort is home to the highest chairlift in North America, the Imperial Express SuperChair, which tops out at an altitude of 12,840 feet. The resort also offers four terrain parks and two half-pipes for snowboarders.

The eight-passenger BreckConnect Gondola ascends from the Town of Breckenridge to the Peak 8 base area, thereby allowing skiers to park downtown and use the gondola to access the ski trails. The gondola has a capacity of 3,000 passengers per hour and includes a mid-station on Peak 7. Skiers can take the gondola back to the downtown area at the end of the day or use the Skyway Skiway trail to ski back to the parking lots.

Winter carnivals, festivals, and other events in or near the Ski Resort include various ski and snowboard competitions, the Lighting of Breckenridge, Ullr Fest, the International Snow Sculpture Championships and the Spring Finale festival.

During the summer, the Ski Resort’s Epic Discovery offers alpine slides, chairlift rides, hiking trails, and a ropes challenge course.

Nordic Centers. The Town’s Nordic center offers 28 kilometers of groomed trails for skate-skiing and classic cross-country skiing, plus eight kilometers of snowshoe trails. A lodge, gear rentals, lessons, clinics and equipment tuning are available at the Nordic center. Two Nordic centers are also located in the Town of Breckenridge.

Summer Activities. The summer offers opportunities in and around the Town for camping, hiking, biking, rock climbing, in-line skating, horseback riding, fly fishing, golfing and kayaking.

Nearby Dillon Reservoir, which spans 3,300 acres and boasts 27 miles of shoreline, is a popular destination for sailing and boating. The Frisco Bay Marina is located on the shores of Dillon Reservoir at the eastern end of the Town’s Main Street. The Town has managed the Frisco

Bay Marina since 2005 and undertook significant improvements to deepen the bay and enlarge the beach. Boat and paddle sport rentals, boat storage, a sandy beach and waterside dining are available at the marina.

The Town is located along the Blue River Recpath. This paved bikeway provides bicycle and pedestrian access via connected trails to the towns of Breckenridge, Dillon and Silverthorne; Keystone Resort; Copper Mountain through the Ten Mile Canyon; and the Town of Vail over Vail Pass.

The Town's Recreation and Culture Department provides recreational opportunities throughout the year. The Frisco Adventure Park offers snow tubing, a beginner ski and ride hill, and horse drawn sleigh rides in the winter, and a bike park, a skate park and a disc golf course in the summer. The Adventure Park is located within the Peninsula Recreation Area, which has miles of summer hiking and biking trails and winter Nordic trails along the shores of Frisco Bay and Dillon Reservoir.

## **Current Construction**

The following table sets forth the number of all permits issued in the unincorporated portions of the County during the time period indicated.

History of Building Permits Issued in Summit County

Year	Total Permits <sup>(1)</sup>	Total Valuation
2018	915	234,414,908
2019	718	330,046,809
2020	694	327,138,745
2021	1,046	264,207,517
2022	666	266,979,699

<sup>(1)</sup> Summit County Building Department issues permits for all construction within unincorporated Summit County and the towns of Dillon and Montezuma.

Source: Summit County Community Development, Building Inspection Department.

The following table sets forth the number of permits issued for construction in the Town during the time period indicated.

History of Building Permits Issued in the Town of Frisco

Year	New Single Family		New Multi-Family		New Commercial	
	Permits	Value	Projects	Value	Permits	Value
2016	3	1,635,000	4	1,910,710	1	1,463,735
2017	5	3,982,500	0	0	2	5,769,555
2018	32	15,182,122	0	0	2	7,680,000
2019	12	9,570,000	0	0	2	8,115,000
2020	5	3,463,000	0	0	0	0
2021	24	17,281,257	0	0	2	3,937,147
2022 <sup>(1)</sup>	10	12,061,327	0	0	0	0

<sup>(1)</sup> Figures are for permits issued from January 1 through December 31, 2022.

Source: Town Community Development Department.

**Foreclosure Activity**

The following table sets forth the number of foreclosures filed in the County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures that were filed and subsequently redeemed or withdrawn.

History of Foreclosures - Summit County

Year	Number of Foreclosures Filed	Percent Change
2018	35	--
2019	27	(22.9)%
2020	30	11.1
2021	20	(33.3)
2022	34	70.0

Sources: Colorado Division of Housing (2018 to 2020) and Summit County Public Trustee's Office (2021 and 2022).

## LEGAL MATTERS

### Litigation

The Town Attorney states that to the best of his knowledge, there are no lawsuits or other proceedings pending or threatened that would materially adversely affect the Town's ability to enter into the Lease or to pay Base Rentals under the Lease as set forth therein, and no litigation challenging the validity, or the issuance of the Certificates is pending or threatened. The Town is, however, subject to certain pending and threatened litigation or administrative proceedings regarding various other matters arising in the ordinary course of the Town's business. It is the opinion of Town Attorney that the pending litigation will not result in final judgments against the Town which would, individually or in the aggregate, materially adversely affect the Town's financial position or its ability to perform its obligations to the owners of the Certificates.

### Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "*Immunity Act*"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Town, for injuries which lie in tort or could lie in tort.

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle (including a light rail car), owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; failure to perform an education employment required background check; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. Financial immunity is also waived for serious bodily injury or death resulting from an incident of school violence (murder, first degree assault or felony sexual assault). In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which occur during the performance of their duties and within the scope of their employment.

The maximum amounts that may be recovered under the Immunity Act for injuries occurring on or after January 1, 2022, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$424,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$1,195,000; except in such instance, no person may recover in excess of \$424,000. These amounts increase every four years pursuant to a formula based on the Denver-Aurora-Greeley Consumer Price Index, and the maximum recovery amounts for injuries occurring before January 1, 2022, are lower than the amounts listed in this paragraph. The Town may increase any maximum amount that may be recovered from the Town for certain types of injuries. However, the Town may not be held liable either directly or by indemnification for punitive or exemplary damages unless the Town voluntarily pays such damages in accordance with State law. The Town has not acted to increase the damage limitations in the Immunity Act.

The Town may be subject to civil liability and damages including punitive or exemplary damages under various federal laws, and it may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Town may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

## **Approval of Certain Legal Proceedings**

The approving opinion of Butler Snow LLP, as Special Counsel, will be delivered with the Certificates. A form of the Special Counsel opinion is attached to this Official Statement as Appendix E. Butler Snow LLP, Denver, Colorado, has also acted as Special Counsel to the Town in connection with this Official Statement. Certain matters will be passed upon for the Town by the Town Attorney, Murray Dahl Berry & Renaud LLP, Lakewood, Colorado. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado.

## **Constitutional Limitations**

General. At the general election on November 3, 1992, the voters of Colorado approved TABOR as Article X, Section 20 of the State constitution. In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the Town (“local governments”), but does not apply to “enterprises,” defined as government-owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined.

Some provisions of TABOR are unclear and will require further judicial interpretation. No representation can be made as to the overall impact of TABOR on the future activities of the Town, including its ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government’s spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever, subject to certain exceptions such as the refinancing of obligations at a lower interest rate.

In the opinion of Special Counsel, based upon decisions of the Colorado appellate courts, the Lease does not constitute a “multiple fiscal year financial obligation” which requires an election under the terms of TABOR.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based upon, for school districts, the percentage change in enrollment from year to year, and for non-school districts, the actual value of new construction in the local government. Unless voter approval is received as described above, revenues collected in excess of these permitted spending limitations must be rebated.

At an election held in 1995, Town voters authorized the Town to collect, retain, and spend, without regard to the revenue and spending limitations imposed by TABOR, the full amount derived from the Town's existing sales and real estate Real Estate Investment Fees, grants and, with the exception of revenues generated from ad valorem property taxes, revenues from all other sources.

Emergency Reserve Funds. TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The Town has budgeted emergency reserves as required by TABOR.

Other Limitations. TABOR also prohibits new or increased real property Real Estate Investment Fee rates and local government income taxes. TABOR allows local governments to enact exemptions and credits to reduce or end business personal property taxes; provided, however, the local governments' spending is reduced by the amount saved by such action. With the exception of K 12 public education and federal programs, TABOR also allows local governments (subject to certain notice and phase out requirements) to reduce or end subsidies to any program delegated for administration by the general assembly; provided, however, the local governments' spending is reduced by the amount saved by such action.

## **Police Power**

The obligations of the Town are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

## TAX MATTERS

In the opinion of Special Counsel under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease and paid by the Trustee as interest on the Certificates, is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the "Tax Code"), interest is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, and interest on the 2022 Bonds is excludable from Colorado taxable income and Colorado alternative, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates.

*The opinion of Special Counsel does not cover the treatment for federal or Colorado income tax purposes of any monies received in payment of or in respect to the Certificates subsequent to the occurrence of an Indenture Event of Default, a Lease Event of Default or an Event of Nonappropriation.*

The Tax Code and Colorado law impose several requirements which must be met with respect to the Certificates in order for the interest thereon to be excludable from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Certificates. These requirements include: (a) limitations as to the use of proceeds of the Certificates; (b) limitations on the extent to which proceeds of the Certificates may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Certificates above the yield on the Certificates to be paid to the United States Treasury. The Town covenants and represents in the Lease that it will, during the Lease Term, take all steps to comply with the requirements of the Tax Code and Colorado law (in effect on the date of delivery of the Certificates) to the extent necessary to maintain the exclusion of interest on the Certificates from gross income and alternative minimum taxable income under such federal income tax laws and Colorado taxable income and Colorado alternative minimum taxable income under such Colorado income tax laws. Special Counsel's opinion as to the exclusion of interest on the Certificates from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income is rendered in reliance on these covenants and assumes continuous compliance therewith. (The foregoing covenant does not, however, preclude the Town from exercising its right to terminate the Lease at the times and in the manner previously described in this Official Statement.) The failure or inability of the Town to comply with these requirements could cause the interest on the Certificates to be included in gross income, alternative minimum taxable income, Colorado taxable income or Colorado alternative minimum taxable income, or a combination thereof, from the date of issuance. Special Counsel's opinion also is rendered in reliance upon certifications of the Town and other certifications furnished to Special Counsel. Special Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the Certificates.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Certificates. Owners of the Certificates should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and Colorado tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Certificates made to any Owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the Owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406 or fails to provide a certificate that the Owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the Certificates were sold at a premium, representing a difference between the original offering price of those Certificates and the principal amount thereof payable at maturity. Under certain circumstances, an initial Owner of such Certificates (if any) may realize a taxable gain upon their disposition, even though such Certificates are sold or redeemed for an amount equal to the Owner's acquisition cost. Special Counsel's opinion relates only to the exclusion of interest on the Certificates from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Certificates. Owners of the Certificates should consult their own tax advisors as to the applicability of these consequences.

The Town has represented that it does not reasonably anticipate issuing greater than \$10,000,000 of federally tax-exempt obligations in calendar year 2023 (excluding certain private activity and refunding bonds) and that it has designated the Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, in the case of certain banks, thrift institutions or other financial institutions owning the Certificates, a deduction is allowed for 80% of that portion of such institutions' interest expense allocable to interest on the Certificates. Bond Counsel expresses no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Certificates or a related person to purchase or carry the Certificates.

The opinions expressed by Special Counsel are based on existing law as of the delivery date of the Certificates. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or State tax laws may be pending now or could be proposed in the future that, if enacted into law,

could adversely affect the value of the Certificates, the exclusion of interest on the Certificates from gross income or alternative minimum taxable income or both from the date of issuance of the Certificates or any other date, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the market value of the Certificates. Owners of the Certificates are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “*Service*”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the Owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, the market value of the Certificates may be adversely affected. Under current audit procedures, the Service will treat the Town as the taxpayer and the Owners may have no right to participate in such procedures. The Town has covenanted in the Lease not to take any action that would cause the interest on the Certificates to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income for the Owners thereof for federal income tax purposes. None of the Town, the Underwriter or Special Counsel is responsible for paying or reimbursing any Registered Owner or Beneficial Owner for any audit or litigation costs relating to the Certificates.

## **INDEPENDENT AUDITORS**

The audited financial statements of the Town as of December 31, 2021, and for the year then ended, included herein as Appendix A, have been audited by McMahan And Associates, L.L.C., certified public accountants, Avon, Colorado, as stated in their report appearing herein.

The Town will not obtain a consent letter from its auditor for the inclusion of the audit report in this Official Statement. McMahan And Associates, L.L.C., the Town’s independent auditor for the December 31, 2021 audit, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McMahan And Associates, L.L.C. also has not performed any procedures relating to this Official Statement.

## **RATING**

Moody’s Investors Service (“*Moody’s*”) has assigned the Certificates the rating shown on the cover page of this Official Statement. An explanation of the significance of any ratings given by Moody’s may be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

The rating reflects only the views of the rating agency, and there is no assurance that the rating will be obtained or will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or liquidity of the Certificates. Other than its obligations under the Disclosure Certificate, the Town has not undertaken any responsibility to bring to the attention of the owners of the Certificates any proposed change in or withdrawal of such rating once received or to oppose any such proposed revision.

## **UNDERWRITING**

Stifel, Nicolaus & Company, Incorporated, Denver, Colorado (the “*Underwriter*”), has agreed to purchase the Certificates at a price of \$7,134,205.10 (which is equal to the principal amount of the Certificates, plus net original issue premium of \$831,830.10, and less Underwriter’s discount of \$47,625.00.

The Underwriter is committed to take and pay for all of the Certificates if any are taken. The Underwriters intend to offer the Certificates to the public at the offering prices appearing on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

## **OFFICIAL STATEMENT CERTIFICATION**

The preparation of this Official Statement and its distribution has been authorized by the Town. This Official Statement is hereby duly approved by the Town as of the date on the cover page hereof.

TOWN OF FRISCO, COLORADO

By: /s/ Hunter Mortensen  
Mayor

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**APPENDIX A**

**AUDITED BASIC FINANCIAL STATEMENTS OF THE  
TOWN FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

NOTE: The supplemental schedules contained in the Town's audit, including the combining, individual fund and account group financial statements, for the fiscal year ending December 31, 2021, of the Town were excluded from this Official Statement. Such supplemental statements provide supporting details and are not necessary for a fair presentation of the basic financial statements of the Town.

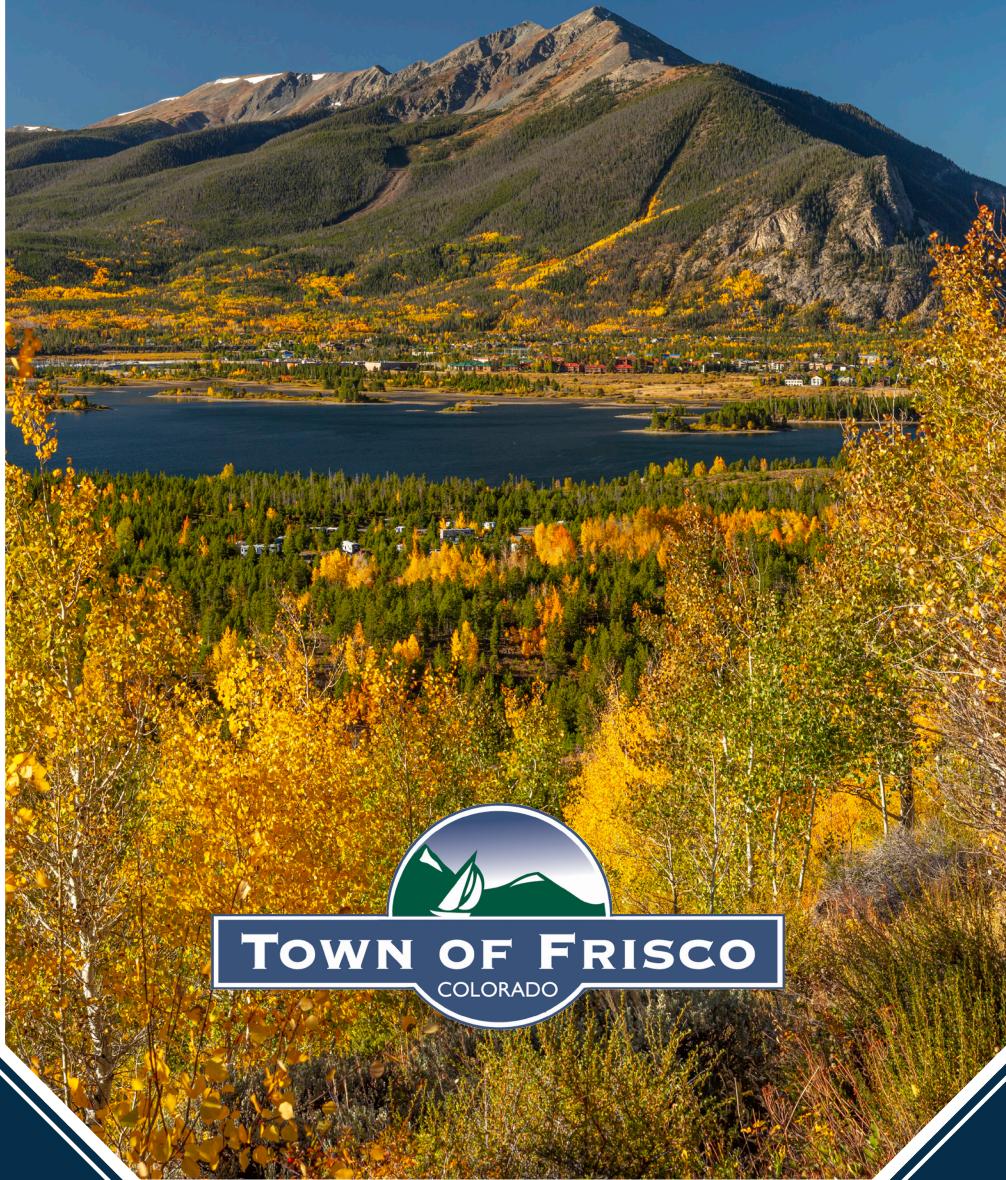
*Prospective investors should be aware that the Certificates are payable solely from any legally available Town revenues that are annually appropriated for the purpose of paying Base Rentals under the Lease. The inclusion of the Town's audited basic financial statements in this Official Statement does not indicate that any of the sources of revenue described therein are pledged to the payment of the Certificates.*

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# TOWN OF FRISCO, COLORADO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021



**FRISCO  
COLORADO**

**PREPARED BY THE  
TOWN OF FRISCO  
FINANCE DEPARTMENT**

VISIT [FriscoGov.com](http://FriscoGov.com)  
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**Town of Frisco  
Colorado**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

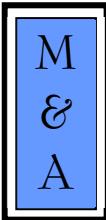
*Christopher P. Monell*

Executive Director/CEO

## **FINANCIAL SECTION**



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# MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council  
Town of Frisco, Colorado

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Frisco, Colorado (the "Town"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Town 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 these financial statements in accordance with U.S. GAAP; 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.

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 Town's ability to continue as a going concern for one year after the date that the financial statements are issued.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA

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FRISCO: (970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**  
To the Mayor and town Council  
Town of Frisco, Colorado

***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 U.S. GAAS 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 U.S. GAAS, 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 Town'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 Town'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.

***Required Supplementary Information***

U.S GAAP require that Management's Discussion and Analysis in Section B and the Schedule of Employer's Proportionate Share of the Net Pension Asset / Liability and the Schedule of Town Contributions in Section E be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 U.S. GAAS, 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.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Mayor and town Council**  
**Town of Frisco, Colorado**

***Required Supplementary Information (continued)***

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information in section E is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining fund financial statements, individual fund budgetary information, and the Local Highway Finance Report listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, individual fund budgetary information, and the Local Highway Finance Report listed in the accompanying table of contents 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 U.S. GAAS. In our opinion, the introductory section, combining fund financial statements, individual fund budgetary information, the Local Highway Finance Report, and the statistical section listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**Avon, Colorado**  
**June 10, 2022**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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This section of the Town of Frisco's financial statements provides a narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the Town's financial statements which follow within this section, as well as the accompanying statistical information, and state compliance sections.

## **I. FINANCIAL HIGHLIGHTS**

- The Town of Frisco remains in a financially sound condition. The Town's increase in net position and continued investments in infrastructure demonstrate our continued positive overall financial health.
- The assets and deferred outflows of resources of the Town of Frisco exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2021 by \$97,998,764 (net position). Of this amount, \$37,653,414 (unrestricted net position) may be used to meet the Town's ongoing obligations or unforeseen expenses.
- General fund 2021 revenues increased by \$1.5 million or 9.35% as compared to 2020. Governmental funds tax revenues increased by 13.65% compared to 2020. Most notably, the Town-wide shut down of most businesses, due to the COVID-19 pandemic, from March 16 - June 1, 2020 was the reason for a significant amount of the revenue increase seen in 2021. In the Town of Frisco, Restaurants and Lodging suffered the greatest impacts of the COVID-19 shut down in early 2020, with a decrease of about \$3M in sales activity throughout the year. Increases experienced, despite the effects of the pandemic, are indicative of a strong tourism economy in the Town of Frisco. Overall, in 2021, businesses in town experienced increases over prior year net taxable sales of: lodging (58.4%), restaurants (46.9%), retail (10.8%), and grocery (6.8%).
- Since revenues exceeded budget and expenditures were below budget in 2021, the Town was able to increase its fund balances. As of the close of fiscal year 2021, the Town of Frisco's governmental funds reported a combined ending fund balance of \$36,118,688 an increase of over \$7 million compared to fiscal year 2020. \$7,609,393 of the total is unassigned and equal to 46.85% of governmental expenditures.
- The new boater services building is very close to completion. Once fully up and running, the space will have multiple uses – high end retail, such as kayaks and paddle sports equipment; boater services and power sports rental; a boater lounge; photography from local artists; a nautical based historical exhibit; 24-hour code accessed bathrooms equipped with showers; marina staff offices; and contracted flex space. Other exciting projects around the building include a new state-of-the-art fueling system and major landscaping around the building. Total spent in 2021 on this Marina construction in progress equals \$3,096,735. Additional details on this project can be found in the transmittal letter on page i of this report, immediately prior to the report of the independent auditors.



## II. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Frisco's basic financial statements. The Town of Frisco's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### 1. Government-wide Financial Statements

The government-wide financial statements are intended to provide readers with a broad overview of the Town's financial condition. They are presented using accounting methods very similar to a private-sector business, or the economic resources measurement focus, and full accrual accounting.

- *The Statement of Net Position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as Net Position. Over time, increases or decreases in net position can serve as an indicator of the Town's financial condition.
- *The Statement of Activities* presents information showing how the Town's net position changed during the given fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Capital expenditures are not included in this statement; however capital grant revenues are reported.

### 2. Fund Financial Statements

A fund is a grouping that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and bond covenants, however Town Council establishes other funds to help control and manage money for particular purposes. All of the Town's funds can be divided into two categories: Governmental Funds and Proprietary Funds.

#### Governmental Funds

The governmental funds presentation is different from the governmental activities section of the government-wide financial statements, even though these two statements account for essentially the same activities. Governmental funds presented have a budgetary or current financial resources measurement focus and use the modified accrual basis of accounting. That is, the governmental funds presentation focuses on the Town's near-term financial position and changes thereto.

#### Proprietary Funds

The Town maintains two proprietary funds, commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds account for the operation of governmental programs that are intended to be supported primarily by external user fees. The Town uses enterprise funds to account for its water operations and the marina operations. These funds are presented as business-type activities on the government-wide financial statements but are presented in greater detail in the



fund financial statements. In both cases, enterprise funds are presented using the economic resources measurement focus and full accrual accounting.

### 3. Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a thorough understanding of the data provided in the government-wide and the fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

## III. GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

### Statement of Net Position

As noted earlier, the Statement of Net Position can serve as an indicator of the overall financial condition of the Town. As of December 31, 2021, the Town had total assets of \$108,933,855. As of December 31, 2021, the Town's net position was \$97,998,764.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current and other assets	43,325,400	35,421,448	6,728,322	\$9,686,423	50,053,722	\$45,107,871
Capital assets	<u>42,619,348</u>	<u>43,794,845</u>	<u>16,260,785</u>	<u>12,795,160</u>	<u>58,880,133</u>	<u>56,590,005</u>
<b>Total Assets</b>	<b>85,944,748</b>	<b>79,216,293</b>	<b>22,989,107</b>	<b>22,481,583</b>	<b>108,933,855</b>	<b>101,697,876</b>
<b>Deferred Outflows of Resources:</b>						
Resources:	431,311	463,542	-	-	431,311	463,542
<b>Liabilities:</b>						
Other liabilities	2,173,597	2,008,798	322,955	139,147	2,496,552	2,147,945
Long-term liabilities	<u>3,029,873</u>	<u>3,443,309</u>	<u>5,402,102</u>	<u>5,487,023</u>	<u>8,431,975</u>	<u>8,930,332</u>
<b>Total Liabilities</b>	<b>5,203,470</b>	<b>5,452,107</b>	<b>5,725,057</b>	<b>5,626,170</b>	<b>10,928,527</b>	<b>11,078,277</b>
<b>Deferred Inflows of Resources:</b>						
Resources:	437,875	304,556	-	-	437,875	304,556
<b>Net Position:</b>						
Net investment in capital assets	39,596,343	40,474,329	10,675,590	8,886,055	50,271,933	49,360,384
Restricted	10,073,417	8,191,201	-	-	10,073,417	8,191,201
Unrestricted	<u>31,064,954</u>	<u>25,257,642</u>	<u>6,588,460</u>	<u>7,969,358</u>	<u>37,653,414</u>	<u>33,227,000</u>
<b>Total Net Position</b>	<b>\$80,734,714</b>	<b>\$73,923,172</b>	<b>17,264,050</b>	<b>\$16,855,413</b>	<b>\$97,998,764</b>	<b>\$90,778,585</b>

Capital Assets make up the largest portion of the Town's Net Position. Capital assets include items such as infrastructure, buildings, equipment, machinery, land, art, and other tangible items. Infrastructure includes streets, traffic signals, buildings, and sidewalks. The Town uses capital assets to provide services to the community and thus they are not available for immediate spending. Although the Town of Frisco's



investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. During 2021, the Town added to its capital assets.

- The Town of Frisco's investment in capital assets for its governmental and business type activities as of December 31, 2021 amounts to \$50,271,933 net of related debt, up from \$49,360,384 in the preceding year. This investment in capital assets includes land, buildings, vehicles, art, equipment, roads, bridges, and utility system infrastructure.
- The total increase in the Town of Frisco's investment in capital assets (net of related debt) for the fiscal year ending 2021 was \$911,549. This is primarily due to the construction of the Marina boater services building and fuel system (described in the Financial Highlights section).

Additional information on the Town's capital assets can be found in the Capital Assets note in the Notes to the Financial Statements section (D14 - D15).

At the end of the current fiscal year, the Town of Frisco had a total of \$8,867,756 in long-term liabilities and no bonded debt outstanding in the form of General Obligation Bonds. Additional information on the Town's long-term debt can be found in the Long-Term Liabilities notes in the Notes to the Financial Statements section (D17 – D20).

The \$108,933,855 in total assets Government includes \$41,159,928 in equity in pooled cash and investments. This reflects the strong cash balances that the Town of Frisco has maintained during 2021.

At the end of 2021, the Town of Frisco is able to report positive balances in both categories of net position: both for the government as a whole, as well as for its separate Governmental, Business-type activities. The net position, unrestricted for the Governmental activities, equals 184.53% of total expenses in the statement of activities for governmental activities for 2021 and 188.46% of the total government-wide expenses, including Business-Type activities.

Statement of Activities

This statement presents information showing how the Town's net position changed during the given fiscal year. The following reflects the Town's change in net position:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>REVENUES:</b>						
Program revenues:						
Charges for services	3,217,407	\$3,158,616	3,441,650	\$3,654,605	6,659,057	\$6,813,221
Operating grants and contributions	808,636	1,028,828	39,888	36,255	848,524	1,065,083
Capital grants and contributions	124,584	139,792	62,449	43,170	187,033	182,962
General revenues:					0	0
Property taxes	203,382	201,949	-	-	203,382	201,949
Sales and use taxes	13,805,484	12,019,014	-	-	13,805,484	12,019,014
Real estate investment fee	2,773,501	2,070,516	-	-	2,773,501	2,070,516
Franchise taxes	348,211	320,081	-	-	348,211	320,081
Lodging taxes	704,513	498,972	-	-	704,513	498,972
Other taxes	1,141,169	1,085,556	-	-	1,141,169	1,085,556
Interest and other	518,928	633,214	9,720	115,286	528,648	748,500
<b>Total Revenues</b>	<b>23,645,815</b>	<b>21,156,538</b>	<b>3,553,707</b>	<b>3,849,316</b>	<b>27,199,522</b>	<b>25,005,854</b>
<b>EXPENSES:</b>						
Program Expenses						
General government	5,845,646	5,264,246	-	-	5,845,646	5,264,246
Public safety	1,525,268	1,435,801	-	-	1,525,268	1,435,801
Public works	1,768,852	2,930,379	-	-	1,768,852	2,930,379
Community development	3,137,557	1,623,333	-	-	3,137,557	1,623,333
Culture and recreation	3,289,976	3,062,208	-	-	3,289,976	3,062,208
Health and welfare	467,600	80,005.00	-	-	467,600	-
Housing	703,750	427,401	-	-	703,750	427,401
Interest	95,624	121,885	-	-	95,624	121,885
Marina	-	-	2,028,053	1,832,451	2,028,053	1,832,451
Water	-	-	1,117,017	997,354	1,117,017	997,354
<b>Total Expenses</b>	<b>16,834,273</b>	<b>14,945,258</b>	<b>3,145,070</b>	<b>2,829,805</b>	<b>19,979,343</b>	<b>17,775,063</b>
<b>Change in Net Position</b>	<b>6,811,542</b>	<b>6,211,280</b>	<b>408,637</b>	<b>1,019,511</b>	<b>7,220,179</b>	<b>7,230,791</b>
<b>Net Position-Beginning</b>	<b>73,923,172</b>	<b>67,711,892</b>	<b>16,855,413</b>	<b>15,835,902</b>	<b>90,778,585</b>	<b>83,547,794</b>
<b>Net Position - Ending</b>	<b>\$80,734,714</b>	<b>\$73,923,172</b>	<b>\$17,264,050</b>	<b>\$16,855,413</b>	<b>\$97,998,764</b>	<b>\$90,778,585</b>



#### IV. FUND FINANCIAL STATEMENT ANALYSIS

As noted earlier, the Town uses fund accounting so as to segregate resources for the purpose of carrying on a specific activity or attaining certain objectives in accordance with regulations, restrictions or other limitations on the use of the funds.

##### Governmental Fund Balances

The focus on the Town of Frisco's governmental funds is to provide information on short term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the Town completed the year, its governmental funds reported a combined fund balance of \$36,118,688. Of that fund balance, \$7,609,393 constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance is categorized to indicate that it is not available for new spending, the largest of which is committed for Capital Improvements, totaling \$17,537,840.

The General Fund is the chief operating fund of the Town of Frisco. At the end of the 2021, the General Fund balance was \$8,398,873 and 90.60% of the fund balance was unassigned. The General Fund balance decreased in 2021 by \$8,653,315 or approximately 49.25%. This was due to the transfer of the informal temporary revenue stabilization reserve set aside as a precautionary measure during the beginning of the Covid-19 pandemic, should economic conditions worsen. As of December 31, 2021, \$13,480,105 was transferred from the General Fund to the Capital Improvement Fund once the economic conditions were determined to be relatively stable. Much of the transfer will be spent in future years on projects that were deferred due to pandemic-related uncertainty. An additional transfer of \$287,500 was transferred to the SCHA 5A fund to make the fund whole for COVID-19 pandemic related employee rent relief provided in 2020.

The Capital Projects Fund has a total fund balance of \$17,678,447. The increase in fund balance during the current year was \$14,272,068. This increase is the result of the delayed transfer from the General Fund noted above, as well as the deferral of certain capital projects. The major revenue source for the Capital Projects Fund is a transfer from the General Fund and Real Estate Investment Fees (REIF fees increased 32% over 2020). With the strong additions to fund balance experienced, the Town's Council will continue to reinvest in the Town by approving additional capital projects in the coming years.

**Special Revenue Funds** - These funds have a total combined fund balance of \$10,041,368. The main ongoing revenue source for the special revenue funds is housing taxes assessed by the Summit Combined Housing Authority and shared with the Town to construct workforce housing in Frisco. These tax revenues amounted to \$1,787,396 in 2021. Completion of housing projects is expected to ramp up in 2022 and beyond.

Other Special Revenue Funds balance increased by \$100 in 2021, due to a slight increase in the Lodging Tax Fund.



### Proprietary Fund Balances

The Town of Frisco's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail. Business-type activities increased the Town's net position by \$408,637 in 2021. Key elements of this increase are as follows:

- Water user charges exceeded original budgeted amounts by \$82,279.
- Water fund capital outlay was under budget by \$894,033.
- Marina user charges exceeded budget by \$197,253.
- Salaries and benefits, were under budget by \$288,423, due to vacant position.
- Marina capital outlay was under budget by \$306,789 as a result of deferred projects.

Unrestricted net position for the Water Fund at the end of the current fiscal year was \$5,751,806 while the Marina Fund reported unrestricted net position of \$836,654.

### Budgetary Highlights

Over the course of the year, the Town Council revised the budget, with revisions falling into two categories:

- ▶ Supplemental appropriations approved shortly after the beginning of the year for projects and purchases not completed in the previous year.
- ▶ Supplemental appropriations approved after the beginning of the year to reflect new projects or revenues not previously considered, or projects that are estimated to cost more than previously expected at the time of the adoption of the budget.

Differences between the original budget and the final amended budget were related to both revenue and expenditures. General Fund revenues were over amended budget by \$3.1M primarily due to sales taxes exceeding budgeted amounts. The 2021 General Fund expenditure budget was increased by approximately \$13.8M, largely related to transfers out to the Capital Improvement Fund and the SCHA 5A Fund. These Town-wide increases to appropriations were a direct result of prior preparations for the potential impacts of the COVID-19 pandemic, that were not realized. Actual General Fund expenditures were under the amended budget by \$1.3M. Key elements of this increase are as follows:

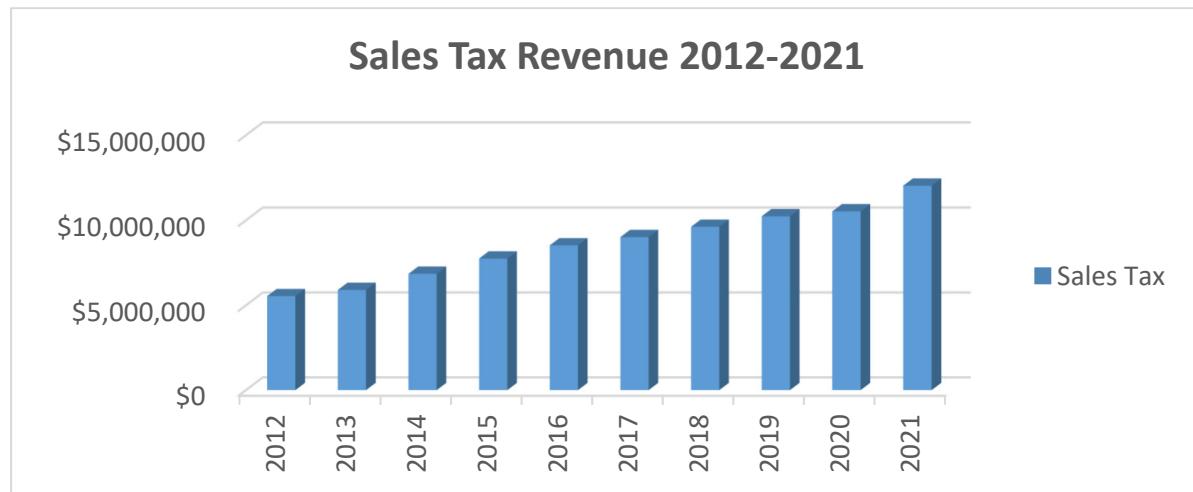
- The following sources of revenue exceeded original budget projections as follows: city and county sales taxes - \$3,118,088; grants - \$181,781; SCHA 5A taxes - \$437,396; Real Estate Investment Fees – \$1,373,501; Nordic Center fees - \$172,224; bag fees \$156,274, and building permits and fees \$161,107.
- Other sources of revenue were greatly impacted by the pandemic and were significantly less than budgeted, i.e. special events, Frisco Adventure Park, and interest on investments.
- Likewise, overall expenditures were significantly under budget by \$8,263,938, the majority as a result of deferred capital projects (including workforce housing projects).
- All governmental activities were subsidized by tax revenue.

### Economic Factors and Next Year's Budget

Tax (including property, sales, and lodging) revenues are the main source of governmental revenues and are an important source for providing funds for the general operations and maintenance of the Town of Frisco.



- For 2022, revenue budgeted for the General Fund totals \$16,809,261, as compared to the (revised) 2021 budget of \$14,285,611.
- Budgeted expenditures for 2021 were based on projections of 2021 annual budget, with the exception of the Capital Fund. The budgeted expenditures for 2022 are \$12,337,290, excluding transfers.
- The national, state, and local economies are currently in a state of uncertainty in relation to the COVID-19 pandemic that has spread across the globe. However, sales tax, the Town's main source of funding, continues to rise year-over-year, despite the uncertainty during the Covid-19 pandemic. In 2021, sales tax revenue accounted for approximately 69% of total General Fund revenues. The Town of Frisco is well positioned to weather this pandemic due to healthy fund balances and conservative budget practices.



The Town of Frisco will continue to closely monitor its financial position throughout 2022. Continued fiscal discipline and scrutiny of initiatives will ensure that future annual operational expenditures remain in balance with future revenues in light of overall local and national economic conditions.

#### IV. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances. Questions concerning the information provided in this report or other financial information should be addressed to the Finance Department, Town of Frisco, 1 Main Street, PO Box 4100, Frisco, CO 80443, via telephone at (970) 668-9138, or via e-mail at [LeslieE@TownofFrisco.com](mailto:LeslieE@TownofFrisco.com).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



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**Town of Frisco, Colorado**  
**Statement of Net Position**  
**December 31, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments - Unrestricted	35,431,690	5,177,139	40,608,829
Cash and investments - Restricted	141,107	409,992	551,099
Receivables, net:			
Property taxes assessed	215,642	-	215,642
Other taxes	1,244,673	-	1,244,673
Intergovernmental	1,187,721	-	1,187,721
Employees	23,007	-	23,007
Other	343,624	333,100	676,724
Non-current	38,620	-	38,620
Internal balances	(717,984)	717,984	-
Notes receivable	4,500,000	-	4,500,000
Interest receivable	675,308	-	675,308
Inventories	33,638	90,107	123,745
Prepaid items	2,137	-	2,137
Net pension asset	206,217	-	206,217
Capital assets - Not being depreciated	9,122,528	4,656,446	13,778,974
Capital assets - net of accumulated depreciation	<u>33,496,820</u>	<u>11,604,339</u>	<u>45,101,159</u>
<b>Total Assets</b>	<u>85,944,748</u>	<u>22,989,107</u>	<u>108,933,855</u>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	<u>431,311</u>	<u>-</u>	<u>431,311</u>
<b>Liabilities:</b>			
Accounts payable	1,335,173	188,369	1,523,542
Interest payable	29,395	22,396	51,791
Unearned revenue	95,395	-	95,395
Deposits payable	183,826	-	183,826
Compensated absences:			
Due within one year	216,672	32,190	248,862
Due in more than one year	325,004	48,284	373,288
Debt payable:			
Due within one year	313,136	80,000	393,136
Due in more than one year	<u>2,704,869</u>	<u>5,353,818</u>	<u>8,058,687</u>
<b>Total Liabilities</b>	<u>5,203,470</u>	<u>5,725,057</u>	<u>10,928,527</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes	210,793	-	210,793
Pension-related deferred inflows - SWDB	<u>227,082</u>	<u>-</u>	<u>227,082</u>
<b>Total Deferred Inflows of Resources</b>	<u>437,875</u>	<u>-</u>	<u>437,875</u>
<b>Net Position:</b>			
Net Investment in capital assets	39,596,343	10,675,590	50,271,933
Restricted:			
TABOR emergency reserve	709,000	-	709,000
Pensions	206,217	-	206,217
Affordable Housing	8,043,877	-	8,043,877
Conservation Trust Fund	109,663	-	109,663
Economic development	1,003,636	-	1,003,636
Historic preservation	1,024	-	1,024
Unrestricted	<u>31,064,954</u>	<u>6,588,460</u>	<u>37,653,414</u>
<b>Total Net Position</b>	<u>80,734,714</u>	<u>17,264,050</u>	<u>97,998,764</u>

The accompanying notes are an integral part of these financial statements.

**Town of Frisco, Colorado**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Functions/Programs:</b>								
<b>Governmental activities:</b>								
General government	5,845,646	374,150	762,620	-	(4,708,876)		(4,708,876)	
Public safety	1,525,268	44,414	4,392	-	(1,476,462)		(1,476,462)	
Community development	3,137,557	4,300	-	105,584	(3,027,673)		(3,027,673)	
Public works	1,768,852	398,888	-	19,000	(1,350,964)		(1,350,964)	
Culture and recreation	3,289,976	2,234,719	41,624	-	(1,013,633)		(1,013,633)	
Health and welfare	467,600	-	-	-	(467,600)		(467,600)	
Housing	703,750	160,936	-	-	(542,814)		(542,814)	
Interest on long-term debt	95,624	-	-	-	(95,624)		(95,624)	
<b>Total - Governmental activities</b>	<b>16,834,273</b>	<b>3,217,407</b>	<b>808,636</b>	<b>124,584</b>	<b>(12,683,646)</b>		<b>(12,683,646)</b>	
<b>Business-type activities:</b>								
Water	1,117,017	1,350,847	-	62,449		296,279	296,279	
Marina	2,028,053	2,090,803	39,888	-		102,638	102,638	
<b>Total - Business-type activities</b>	<b>3,145,070</b>	<b>3,441,650</b>	<b>39,888</b>	<b>62,449</b>		<b>398,917</b>	<b>398,917</b>	
<b>Total</b>	<b>19,979,343</b>	<b>6,659,057</b>	<b>848,524</b>	<b>187,033</b>	<b>(12,683,646)</b>	<b>398,917</b>	<b>(12,284,729)</b>	
<b>General revenues:</b>								
Taxes:								
Sales and use taxes				13,805,484	-	13,805,484		
Real estate investment fees				2,773,501	-	2,773,501		
Franchise taxes				348,211	-	348,211		
Lodging taxes				701,513	-	701,513		
Property and specific ownership taxes				203,382	-	203,382		
Miscellaneous taxes				1,141,169	-	1,141,169		
Investment earnings				96,408	6,619	103,027		
Gain on asset disposition				14,190	3,101	17,291		
Miscellaneous				411,330	-	411,330		
<b>Total - General revenues and transfers</b>				<b>19,495,188</b>	<b>9,720</b>	<b>19,504,908</b>		
<b>Change in Net Position</b>								
<b>Net Position - January 1</b>				<b>73,923,172</b>	<b>16,855,413</b>	<b>90,778,585</b>		
<b>Net Position - December 31</b>				<b>80,734,714</b>	<b>17,264,050</b>	<b>97,998,764</b>		

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**



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**Town of Frisco, Colorado**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	General Fund	Summit County Housing Authority 5A Fund	Capital Improvement Fund	Non- major Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents - Unrestricted	7,745,657	7,719,204	18,197,479	1,769,350	35,431,690
Cash and cash equivalents - Restricted	500	-	140,607	-	141,107
Receivables, net of allowance for uncollectible accounts:					
Property taxes	215,642	-	-	-	215,642
Other taxes	700,670	325,943	-	218,060	1,244,673
Intergovernmental	1,187,721	-	-	-	1,187,721
Employees	42,303	-	-	-	42,303
Other	256,283	4,700	63,345	-	324,328
Non-current	38,620	-	-	-	38,620
Inventory	23,457	-	-	10,181	33,638
Prepaid items	2,137	-	-	-	2,137
<b>Total Assets</b>	<b>10,212,990</b>	<b>8,049,847</b>	<b>18,401,431</b>	<b>1,997,591</b>	<b>38,661,859</b>
<b>Liabilities and Fund Equity:</b>					
<b>Liabilities:</b>					
Accounts/vouchers payable	888,001	-	5,000	100	893,101
Accrued payroll and related liabilities	442,072	-	-	-	442,072
Internal balances	-	-	717,984	-	717,984
Unearned revenue	94,125	1,270	-	-	95,395
Deposits payable	179,126	4,700	-	-	183,826
<b>Total Liabilities</b>	<b>1,603,324</b>	<b>5,970</b>	<b>722,984</b>	<b>100</b>	<b>2,332,378</b>
<b>Deferred inflows of Resources:</b>					
Property taxes	210,793	-	-	-	210,793
<b>Fund Balances:</b>					
Non-spendable	64,214	-	-	10,181	74,395
Restricted	709,000	8,043,877	140,607	1,762,583	10,656,067
Committed	-	-	17,537,840	224,727	17,762,567
Assigned	16,266	-	-	-	16,266
Unassigned	7,609,393	-	-	-	7,609,393
<b>Total Fund Balances</b>	<b>8,398,873</b>	<b>8,043,877</b>	<b>17,678,447</b>	<b>1,997,491</b>	<b>36,118,688</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>10,212,990</b>	<b>8,049,847</b>	<b>18,401,431</b>	<b>1,997,591</b>	<b>38,661,859</b>

The accompanying notes are an integral part of these financial statements.

**Town of Frisco, Colorado**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2021**

<b>Governmental Funds Total Fund Balance</b>	36,118,688
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**Amounts reported for governmental activities in the Statement of Net Positions  
are different because:**

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

Cost of capital assets	69,183,709
Less accumulated depreciation	<u>(26,564,361)</u>
	42,619,348

Other long-term assets and deferred outflows of resources are not available  
for current period expenditures and, therefore, are not reported in the funds.

Long-term promissory note	4,500,000
Interest earned on long-term promissory note	675,308
Net pension asset - SWDB	206,217
Pension-related deferred outflows of resources	<u>431,311</u>
	5,812,836

Long-term liabilities and deferred inflows of resources, including debt payable,  
interest payable, compensated absences and pension related deferred inflows  
of resources, are not due and payable in the current period and, therefore, are  
not reported in the funds:

Capital leases	(3,018,005)
Interest payable	(29,395)
Accrued compensated absences	(541,676)
Pension-related deferred inflows of resources	<u>(227,082)</u>
	(3,816,158)

<b>Net Position of Governmental Activities</b>	<u>80,734,714</u>
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**Town of Frisco, Colorado**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2021**

	General Fund	Summit County Housing Authority 5A Fund	Capital Improvement Fund	Non- major Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	13,088,079	1,787,396	2,773,501	1,324,284	18,973,260
Licenses, permits, and fees	663,963	90,206	-	4,800	758,969
Intergovernmental revenue	770,268	-	105,584	57,368	933,220
Charges for services	2,495,833	-	-	-	2,495,833
Investment income	10,382	3,854	2,470	952	17,658
Rental income	-	70,730	-	-	70,730
Miscellaneous	392,378	-	16,628	2,324	411,330
<b>Total Revenues</b>	<b>17,420,903</b>	<b>1,952,186</b>	<b>2,898,183</b>	<b>1,389,728</b>	<b>23,661,000</b>
<b>Expenditures:</b>					
Current:					
General government	5,164,805	145,184	2,800	-	5,312,789
Public safety	1,447,067	-	-	-	1,447,067
Community development	1,480,323	-	-	294,605	1,774,928
Public works	1,990,149	-	-	-	1,990,149
Culture and recreation	2,224,260	-	-	188,788	2,413,048
Health and welfare				467,600	467,600
Capital outlay	-	717,805	1,715,034	-	2,432,839
Debt service:					
Principal	-	-	303,781	-	303,781
Interest	-	-	98,795	-	98,795
<b>Total Expenditures</b>	<b>12,306,604</b>	<b>862,989</b>	<b>2,120,410</b>	<b>950,993</b>	<b>16,240,996</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>5,114,299</b>	<b>1,089,197</b>	<b>777,773</b>	<b>438,735</b>	<b>7,420,004</b>
<b>Other Financing Sources (Uses):</b>					
Sale of assets	-	-	14,190	-	14,190
Interfund transfers	(13,767,605)	287,500	13,480,105	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(13,767,605)</b>	<b>287,500</b>	<b>13,494,295</b>	<b>-</b>	<b>14,190</b>
<b>Net Change in Fund Balances</b>	<b>(8,653,306)</b>	<b>1,376,697</b>	<b>14,272,068</b>	<b>438,735</b>	<b>7,434,194</b>
<b>Fund Balances - January 1</b>	<b>17,052,179</b>	<b>6,667,180</b>	<b>3,406,379</b>	<b>1,558,756</b>	<b>28,684,494</b>
<b>Fund Balances - December 31</b>	<b>8,398,873</b>	<b>8,043,877</b>	<b>17,678,447</b>	<b>1,997,491</b>	<b>36,118,688</b>

The accompanying notes are an integral part of these financial statements.

**Town of Frisco, Colorado**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2021**

**Net Change in Fund Balance of Governmental Funds** 7,434,194

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between capital outlay and depreciation:

Depreciation expense	(2,065,909)
Capital outlay	<u>933,579</u>
	(1,132,330)

The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease to net position:

(43,167)	(43,167)
----------	----------

The issuance of long-term debt (i.e., certificates of participation and capital leases) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount of principal repayments less debt proceeds reported in the governmental funds.

Principal repayments	<u>303,781</u>
	303,781

Some revenues reported in the Statement of Activities do not provide sources of current financial resources and therefore are not reported as revenue in the governmental funds.

Accrued interest income	<u>78,750</u>
	78,750

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.

Change in accrued compensated absences	166,959
Change in accrued interest	3,171
Pension expense	<u>184</u>
	170,314

**Change in Net Position of Governmental Activities** 6,811,542

**Town of Frisco, Colorado**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2021**

	<b>Business-type Activities</b>		
	<b>Enterprise Fund - Water Fund</b>	<b>Enterprise Fund - Marina Fund</b>	<b>Total</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and investments - Unrestricted	4,773,097	404,042	5,177,139
Cash and investments - Restricted	-	409,992	409,992
Accounts receivable	298,287	34,813	333,100
Inventories	37,013	53,094	90,107
<b>Total - Current assets</b>	<b>5,108,397</b>	<b>901,941</b>	<b>6,010,338</b>
<b>Long-term assets:</b>			
Internal balances	717,984	-	717,984
Land and other non-depreciable assets	929,402	3,727,044	4,656,446
Property, plant and equipment, net of accumulated depreciation	5,361,671	6,242,668	11,604,339
<b>Total - Long-term assets</b>	<b>7,009,057</b>	<b>9,969,712</b>	<b>16,978,769</b>
<b>Total Assets</b>	<b>12,117,454</b>	<b>10,871,653</b>	<b>22,989,107</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	28,943	159,426	188,369
Interest payable	-	22,396	22,396
Current portion of compensated absences	18,253	13,937	32,190
Current portion of debt	-	80,000	80,000
<b>Total - Current liabilities</b>	<b>47,196</b>	<b>275,759</b>	<b>322,955</b>
<b>Noncurrent liabilities:</b>			
Compensated absences, net of current portion	27,379	20,905	48,284
Debt, net of current portion	-	5,353,818	5,353,818
<b>Total - Noncurrent liabilities</b>	<b>27,379</b>	<b>5,374,723</b>	<b>5,402,102</b>
<b>Total Liabilities</b>	<b>74,575</b>	<b>5,650,482</b>	<b>5,725,057</b>
<b>Net Position</b>			
Net investment in capital assets	6,291,073	4,384,517	10,675,590
Unrestricted	5,751,806	836,654	6,588,460
<b>Total Net Position</b>	<b>12,042,879</b>	<b>5,221,171</b>	<b>17,264,050</b>

The accompanying notes are an integral part of these financial statements.

**Town of Frisco, Colorado**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	Business-type Activities		
	Enterprise Fund - Water Fund	Enterprise Fund - Marina Fund	Total
<b>Operating Revenues:</b>			
Charges for services - User charges	1,332,279	2,090,803	3,423,082
Water meter sales	14,585	-	14,585
Intergovernmental - Operating grants	-	39,888	39,888
Other operating revenue	<u>3,983</u>	<u>-</u>	<u>3,983</u>
<b>Total Operating Revenues</b>	<b>1,350,847</b>	<b>2,130,691</b>	<b>3,481,538</b>
<b>Operating Expenses:</b>			
Salaries and benefits	369,896	710,440	1,080,336
Administrative fees	42,500	20,000	62,500
Professional fees	57,559	131,494	189,053
Supplies	18,181	64,314	82,495
Utilities	60,389	23,569	83,958
Repairs and maintenance	30,685	69,678	100,363
General expenses	162,230	319,559	481,789
Water meter replacements	51,612	-	51,612
Depreciation	<u>323,965</u>	<u>418,588</u>	<u>742,553</u>
<b>Total Operating Expenses</b>	<b>1,117,017</b>	<b>1,757,642</b>	<b>2,874,659</b>
<b>Operating Income (Loss)</b>	<b>233,830</b>	<b>373,049</b>	<b>606,879</b>
<b>Non-Operating Revenue (Expenses):</b>			
Investment income	3,515	3,104	6,619
Gain (loss) on asset disposal	-	3,101	3,101
Interest expense	-	(270,011)	(270,011)
Agent fees	<u>-</u>	<u>(400)</u>	<u>(400)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>3,515</b>	<b>(264,206)</b>	<b>(260,691)</b>
<b>Income Before Capital Contributions</b>	<b>237,345</b>	<b>108,843</b>	<b>346,188</b>
<b>Capital Contributions:</b>			
Plant investment fees	<u>62,449</u>	<u>-</u>	<u>62,449</u>
<b>Change in Net Position</b>	<b>299,794</b>	<b>108,843</b>	<b>408,637</b>
<b>Net Position - January 1</b>	<b>11,743,085</b>	<b>5,112,328</b>	<b>16,855,413</b>
<b>Net Position - December 31</b>	<b>12,042,879</b>	<b>5,221,171</b>	<b>17,264,050</b>

The accompanying notes are an integral part of these financial statements.

**Town of Frisco, Colorado**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	<b>Business-type Activities</b>		
	<b>Enterprise Fund - Water Fund</b>	<b>Enterprise Fund - Marina Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers and others	1,341,270	2,167,025	3,508,295
Cash paid to suppliers for goods and services	(360,867)	(477,566)	(838,433)
Cash paid to employees for services	(367,641)	(717,268)	(1,084,909)
Cash paid to other funds for services provided	(42,500)	(20,000)	(62,500)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>570,262</b>	<b>952,191</b>	<b>1,522,453</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Plant investment fees received	62,449	-	62,449
Principal payment	-	(75,000)	(75,000)
Sale of capital assets	-	3,101	3,101
Interest expense	-	(272,500)	(272,500)
Agent fees	-	(400)	(400)
Acquisition of capital assets	(730,967)	(3,477,211)	(4,208,178)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(668,518)</b>	<b>(3,822,010)</b>	<b>(4,490,528)</b>
<b>Cash Flows From Investing Activities:</b>			
Interest received	3,515	3,104	6,619
Principal received on loan receivable	94,431	-	94,431
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>97,946</b>	<b>3,104</b>	<b>101,050</b>
<b>Net Change in Cash and Investments</b>	<b>(310)</b>	<b>(2,866,715)</b>	<b>(2,867,025)</b>
<b>Cash and Investments - January 1</b>	<b>4,773,407</b>	<b>3,680,749</b>	<b>8,454,156</b>
<b>Cash and Investments - December 31</b>	<b>4,773,097</b>	<b>814,034</b>	<b>5,587,131</b>
<b>Cash and Investments</b>			
Cash and investments - Unrestricted	4,773,097	404,042	5,177,139
Cash and investments - Restricted	-	409,992	409,992
<b>Total Cash and Investments</b>	<b>4,773,097</b>	<b>814,034</b>	<b>5,587,131</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	233,830	373,049	606,879
<b>Adjustments:</b>			
Depreciation	323,965	418,588	742,553
(Increase) decrease in accounts receivable	(9,577)	36,334	26,757
Increase (decrease) in accounts payable	28,611	152,338	180,949
(Increase) decrease in inventory	(8,822)	(21,290)	(30,112)
Increase (decrease) in accrued benefits	2,255	(6,828)	(4,573)
<b>Total Adjustments</b>	<b>336,432</b>	<b>579,142</b>	<b>915,574</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>570,262</b>	<b>952,191</b>	<b>1,522,453</b>

The accompanying notes are an integral part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**



**Town of Frisco, Colorado  
Notes to the Financial Statements  
December 31, 2021**

**I. Summary of Significant Accounting Policies**

The Town of Frisco, Colorado (the "Town") was incorporated in 1988, under the provisions of Article XX of the Colorado Constitution and Municipal Home Rule Act of 1971. The Town operates under an elected Mayor and Town Council. The Town's major operations include public safety, public works, culture and recreation, community development, administration (general government), and operation of water utilities and the marina. The Town is located in Summit County, Colorado.

The Town's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the Town are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government, i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. Consideration is also given to other organizations which are fiscally dependent, i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The accompanying financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. There is one blended component unit reported in the Town's financial statements: The Town of Frisco Finance Authority (the "Authority"). The Authority has been blended into the Capital Improvement Fund.

**Town of Frisco Finance Authority (the "Authority")**

The Authority was formed in 2002 for the purpose of facilitating Town financings, including the acquisition of real estate, property, and improvements for lease to the Town. The Authority issued Certificates of Participation in 2002 to finance improvements to the Frisco Bay Lakefront Park and Marina, and in 2010 to refinance the 2002 series, as well as finance the construction of recreational amenities at the Frisco Adventure Park.

The formation of the Authority was approved by the Town, and its operations are governed by a Board of Directors appointed by the Town Council. Upon dissolution of the Authority and retirement of all liabilities, all property of the Authority is to be transferred to the Town. While the Town is not legally obligated to pay the indebtedness of the Authority, the Town has agreed to consider providing funds, if needed, to the Authority to make the scheduled debt service payments of the Authority.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Government-wide financial statements report on information of all of the activities of the Town and its component units. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's public safety, public works, culture and recreation, community development, and administration functions are classified as governmental activities. The Water Fund and Marina Fund are classified as business-type activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities. The governmental functions are also supported by general government revenues (sales taxes, property and specific ownership taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

**C. Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The Town reports the following major governmental funds:

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

The *Summit County Housing Authority 5A Fund* accounts for collections of a tax and related development impact fees to be used specifically for affordable housing purposes.

The *Capital Improvement Fund* accounts for the Town's real estate investment fees which are restricted by ordinance for the acquisition of and improvements to the Town's governmental assets.

The Town reports the following proprietary or business-type funds:

The *Water Fund* accounts for the provision of water services to the Town's residents.

The *Marina Fund* accounts for rental fees and services and concessions that take place on the Town's lakefront property.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt and compensated absences are recorded only when payment is due.

Franchise fees, licenses, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Sales and lodging taxes collected by vendors at year end on behalf of the Town are also recognized as revenue if collected within 30 days after year end. Expenditure driven grants are recognized as revenue when qualified expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

**3. Financial Statement Presentation**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent to the value of the interfund services provided and other charges between the Town's water function and marina function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the water function.

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**3. Financial Statement Presentation (continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are the operation of the water system within the Town and lakefront rentals and concessions. Operating expenses for the enterprise funds include operating expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**E. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

The Town pools deposits and investments of all funds. Each fund's share of the pool is readily identified by the Town's internal records.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the Town.

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, have been classified as restricted assets on the balance sheet because their use is limited by the applicable covenants. Restricted assets also include certain deposits that have been limited as to usage pursuant to escrow and similar agreements.

Investments are stated at fair value. The change in fair value and amortized cost of investments is recognized as an increase or decrease to investment assets and investment income.

Pursuant to its Charter, the Town has adopted, by ordinance, an investment policy governing the types of institutions and investments with which it may deposit funds and transact business. Under this policy, the Town may invest in the following type of obligation which corresponds with state statutes:

- U.S. Treasury obligations
- Federal instrumentality securities (AAA)
- Prime commercial paper (A1)
- Eligible banker's acceptances (A1)
- Repurchase agreements collateralized by certain authorized securities
- Local government investment pools (AAAm or AAA or AAA/V-1)
- Non-negotiable certificates of deposit subject to FDIC and/or PDPA
- Money market mutual funds (AAAm, AAA, AAA/V-1)
- Negotiable certificates of deposit subject to FDIC and/or PDPA

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**3. Inventory and Prepaid Items**

All inventories are valued at cost using the first-in, first-out method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

The Town uses the consumption method to account for prepaid items. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**4. Pensions**

The Town's police department participates in the Statewide Defined Benefit Plan (the "SWDB Plan") administered by the Fire and Police Pension Association of Colorado ("FPPA"). The SWDB Plan is a cost-sharing multiple-employer defined benefit plan. The net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**5. Capital Assets**

Capital assets, which include land, buildings, improvements, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**5. Capital Assets (continued)**

Capital assets (excluding land, certain intangibles, and projects in progress) are depreciated, using the straight-line method, over the following estimated useful lives:

Buildings	25 - 40 years
Building improvements	7 - 25 years
Infrastructure	5 - 30 years
Vehicles	5 - 15 years
Equipment	5 - 10 years

**6. Long-term Debt**

Long-term debt is reported as a liability on the government-wide and proprietary fund type financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The unamortized portion of the bond premiums and discounts is netted against bonds payable for presentation on the government-wide and proprietary fund Statement of Net Position.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures/expense when incurred.

**7. Compensated Absences**

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the obligated governmental fund. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental-activities column in the government-wide financial statements. Vested or accumulated vacation and sick leave of the proprietary fund type is recorded as an expense and liability of that fund as the benefits accrue to employees.

**8. Deferred Outflows of Resources and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Town has one item that qualifies for reporting under this category on the government-wide Statement of Net Position: pension-related deferred outflows. Pension-related deferred outflows comprise pension contributions made after the measurement date, and the difference between projected and actual earnings, which will be recognized as a reduction of the net pension liability in future periods. For further details on the pension-related deferred outflows, see Note IV.L.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**II. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**8. Deferred Outflows of Resources and Inflows of Resources (continued)**

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in the category. Property taxes, reported in the governmental Balance Sheet and on the Statement of Net Position, are deferred and recognized as an inflow of resources in the period that the amounts become available. Collective deferred inflows related to the Town's net pension obligation are reported on the Statement of Net Position and are amortized over the average remaining service life of all active and inactive SWDB Plan members. For further details on the pension-related deferred inflows, see Note IV.L.

**9. Fund Equity**

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned fund balance is limited to negative residual fund balance. For further details on the various fund balance classifications, refer to Note IV.M.

The Town has adopted a minimum fund balance policy for the General Fund in an amount of seven months of prior year actual expenditures.

**10. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**F. Significant Accounting Policies**

**1. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the Town's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**2. Credit Risk**

Receivables in the Town's funds are primarily due from other governments. Management believes that the credit risk related to these receivables is minimal.

**3. Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**II. Reconciliation of Government-wide and Fund Financial Statements**

These financial statements include a reconciliation between the total fund balances of all governmental funds as presented on the Governmental Funds Balance Sheet and the net position of governmental activities as reported in the government-wide Statement of Net Position. Additionally, these financial statements include a reconciliation between the total net change in fund balances of all governmental funds as presented on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the change in net position of governmental activities as reported in the government-wide Statement of Activities.

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

An annual budget and appropriation ordinance is adopted by Town Council in accordance with the Town's Home Rule Charter.

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

The Town followed these procedures in preparing, approving, and enacting its budget for 2021.

- (1) For the 2021 budget year, prior to August 25, 2020, the County Assessor sent to the Town a certified assessed valuation of all taxable property within the Town's boundaries.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

- (2) Prior to the end of the 2020 fiscal year, the Town Manager submitted to the Town Council a budget and accompanying message.
- (3) Prior to December 15, 2020, the Town computed and certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget", the Town adopted the proposed budget and an appropriation resolution which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget ordinance, the Town may make the following changes:
  - a) transfer appropriated money between funds;
  - b) approve supplemental appropriations to the extent of revenues in excess of those estimated in the budget;
  - c) approve emergency appropriations; and
  - d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2020 were collected in 2021, and taxes certified in 2021 will be collected in 2022. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending for fiscal years ending after December 31, 1995. Fiscal year spending excludes bonded debt service and enterprise spending. The Town has reserved \$709,000 of the December 31, 2021 year-end fund balance in the General Fund for this purpose, which is the approximate required reserve amount.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

The Town's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

On November 7, 2000, voters of the Town approved a ballot question that permitted the Town to retain and spend all revenues collected in 2001 and subsequent years, without limitation.

**IV. Detailed Notes on all Funds**

**A. Deposits and Investments**

**1. Deposits**

The Town's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). Amounts on deposit in excess of \$250,000, the FDIC-insured limit at each participating institution, must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public as a group. The fair value of the collateral must equal or exceed 102% of the uninsured deposits. At December 31, 2021, the carrying value of the Town's deposits was \$10,169,105. The bank balance of these accounts was \$7,862,723.

At the end of 2021, the Town held deposits and investments with the following maturities:

	Rating	Carrying Amounts	Maturities	
			Less than one year	Less than five years
<b>Deposits:</b>				
Petty cash	Not Rated	\$ 4,168	4,168	-
Checking	Not Rated	8,757,881	8,757,881	-
Savings and money market	Not Rated	1,411,224	1,411,224	-
Certificates of deposit*	Not Rated	1,696,736	242,976	1,453,760
<b>Investments:</b>				
United States instrumentality	AA+ <sup>1</sup> /AAA <sup>3</sup>	1,486,544	-	1,486,544
Certificates of deposit**	Not Rated	1,535,428	552,691	982,737
Investment pools	AAAm <sup>1</sup> /AAAf <sup>2</sup>	26,267,947	26,267,947	-
<b>Total</b>		<b>\$ 41,159,928</b>	<b>37,236,887</b>	<b>3,923,041</b>

\*Non-negotiable

\*\*Negotiable

<sup>1</sup> Standard and Poor; <sup>2</sup> Fitch; <sup>3</sup> Moody

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

**1. Deposits (continued)**

The Town's cash and investments are presented on the Statement of Net Position as follows:

**Reconciliation to Statement of Net Position:**

Cash and investments - Unrestricted	\$ 40,608,829
Cash and investments - Restricted	551,099
<b>Total</b>	<b>\$ 41,159,928</b>

**2. Investments**

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At December 31, 2021, the Town had the following recurring fair value measurements:

<b>Investments Measured at Fair Value</b>	<b>Total</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. agencies	\$ 1,486,544	-	1,486,544	-
Negotiable certificates of deposit	1,535,428	-	1,535,428	-
<b>Total</b>	<b>\$ 3,021,972</b>	<b>-</b>	<b>3,021,972</b>	<b>-</b>
<b>Investments Measured at Amortized Cost</b>	<b>Total</b>			
CSIP (Local Government Investment Pool)	\$ 4,307,976			
<b>Total</b>	<b>\$ 4,307,976</b>			
<b>Investments Measured at Net Asset Value</b>	<b>Total</b>			
COLOTRUST	\$ 20,216,041			
C-SAFE	1,743,930			
<b>Total</b>	<b>\$ 21,959,971</b>			

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

**2. Investments (continued)**

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Negotiable certificates of deposits classified in Level 2 are generally valued based upon a matrix or model pricing method.

*Interest Rate Risk:* In accordance with the Town's investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twenty-four months. In the event the Town's portfolio consists of callable securities, the final maturity date of the security is used as the maturity of the security in order to disclose the maximum liability in the Town's financial reports.

*Credit Risk:* State law and Town policy limit investments to those authorized by State statutes, including U.S. agencies and 2a7-like pools. The Town's investment policy is to apply the prudent-investor rule: A prudent investor shall exercise the judgment and care, under circumstances prevailing, which men of prudence, discretion and intelligence exercise in the management of the property of one another, not in regard to speculation, but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital.

*Concentration of Credit Risk:* The Town diversifies its investments by security type, individual financial institutions, and maturities. Investments may only be made in those financial institutions which are insured by the FDIC, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed. A minimum of 50% of the investable assets of the Town will be maintained in US Treasury obligations, Federal instrumentality securities, repurchase agreements, and local government investment pools. Financial institutions holding Town funds must provide the Town with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

*Pools:* The Town's holdings in investment pools are comprised of balances with COLOTRUST, CSIP and C-SAFE, which are investment vehicles established for local government entities in Colorado to pool surplus funds. They operate similarly to money market funds, whereby each share is equal in value to \$1. Investments of the trusts consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. The Town has no regulatory oversight for the pools. Investment balances in the pools are not subject to limitations or restrictions on withdrawals.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**B. Receivables**

Receivables as of December 31, 2021 for the Town's funds, including applicable allowances for uncollectible accounts, were as follows:

	<b>General Fund</b>	<b>Summit County Housing 5A</b>	<b>Capital Improvement Fund</b>	<b>Lodging Tax Fund</b>
Property taxes	\$ 215,642	-	-	-
Other taxes	700,670	325,943	-	123,195
Intergovernmental	1,187,721	-	-	-
Employees	23,007	-	-	-
Other	275,579	4,700	63,345	-
Non-current	38,620	-	-	-
Gross Receivables	<u>2,441,239</u>	<u>330,643</u>	<u>63,345</u>	<u>123,195</u>
Less: Allowance for uncollectibles	-	-	-	-
<b>Net Receivables</b>	<b><u>\$ 2,441,239</u></b>	<b><u>330,643</u></b>	<b><u>63,345</u></b>	<b><u>123,195</u></b>

	<b>Nicotine Tax Fund</b>	<b>Water Fund</b>	<b>Marina Fund</b>	<b>Total</b>
Property taxes	-	-	-	215,642
Other taxes	94,865	-	-	1,244,673
Intergovernmental	-	-	-	1,187,721
Employees	-	-	-	23,007
Other	-	298,287	34,813	676,724
Non-current	-	-	-	38,620
Gross Receivables	<u>94,865</u>	<u>298,287</u>	<u>34,813</u>	<u>3,386,387</u>
Less: Allowance for uncollectibles	-	-	-	-
<b>Net Receivables</b>	<b><u>94,865</u></b>	<b><u>298,287</u></b>	<b><u>34,813</u></b>	<b><u>3,386,387</u></b>

**C. Governmental Note Receivable**

On June 3, 2013, the Town accepted a \$4,500,000 Promissory Note from Brynn Grey X, LLC ("Brynn Grey") as proceeds for the sale of land. The Promissory Note, which is secured by a Deed of Trust on the land, matures in June 2033, and bears simple interest at 2.25% per annum. However, if Brynn Grey completes construction of certain buildings on the land securing the promissory note before June 3, 2018, the Promissory Note is to bear simple interest at 1.75% per annum. The agreement was amended July 28, 2017 to modify the construction completion requirement to include covenanted work force housing. Brynn Grey has since satisfied the construction requirements, so the Promissory Note bears simple interest at 1.75% per annum. As of December 31, 2021, the Town has accrued interest of \$675,308 receivable with respect to the Promissory Note.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**C. Governmental Note Receivable (continued)**

No payment of interest or principal is due during the first 10 years of the Promissory Note's term, with annual blended payments due beginning June 3, 2024 as follows:

2024	\$ 200,000
2025	200,000
2026	200,000
2027	200,000
2028	200,000
2029 - 2032	1,000,000
2033	4,352,354
<b>Total</b>	<b>\$ 6,352,354</b>

**D. Capital Assets**

Governmental capital asset activity for the year ended December 31, 2021 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i><b>Governmental Activities:</b></i>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 7,954,195	-	-	7,954,195
Intangibles	381,528	-	-	381,528
Construction in progress	653,771	182,071	(49,037)	786,805
<b>Total Capital Assets Not Being Depreciated</b>	<b>8,989,494</b>	<b>182,071</b>	<b>(49,037)</b>	<b>9,122,528</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	13,130,253	5,870	-	13,136,123
Infrastructure and improvements	38,925,152	217,052	-	39,142,204
Equipment and vehicles	7,318,387	534,456	(69,989)	7,782,854
<b>Total Capital Assets Being Depreciated</b>	<b>59,373,792</b>	<b>757,378</b>	<b>(69,989)</b>	<b>60,061,181</b>
Less Accumulated Depreciation For:				
Buildings and improvements	(4,437,367)	(367,414)	-	(4,804,781)
Infrastructure and improvements	(15,065,464)	(1,030,005)	-	(16,095,469)
Equipment and vehicles	(5,065,610)	(668,490)	69,989	(5,664,111)
<b>Total Accumulated Depreciation</b>	<b>(24,568,441)</b>	<b>(2,065,909)</b>	<b>69,989</b>	<b>(26,564,361)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>34,805,351</b>	<b>(1,308,531)</b>	<b>-</b>	<b>33,496,820</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 43,794,845</b>	<b>(1,126,460)</b>	<b>(49,037)</b>	<b>42,619,348</b>

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**D. Capital Assets (continued)**

Business-type capital asset activity for the year ended December 31, 2021 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><i>Business-type Activities:</i></b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land, easements and water rights	\$ 102,562	-	-	102,562
Projects in progress	644,803	3,909,081	-	4,553,884
<b>Total Capital Assets Not Being Depreciated</b>	<b>747,365</b>	<b>3,909,081</b>	<b>-</b>	<b>4,656,446</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	6,124,155	-	-	6,124,155
Infrastructure and improvements	14,543,248	-	-	14,543,248
Equipment and vehicles	2,017,367	299,097	(25,928)	2,290,536
<b>Total Capital Assets Being Depreciated</b>	<b>22,684,770</b>	<b>299,097</b>	<b>(25,928)</b>	<b>22,957,939</b>
Less Accumulated Depreciation For:				
Buildings and improvements	(4,214,336)	(170,178)	-	(4,384,514)
Infrastructure and improvements	(4,884,301)	(360,944)	-	(5,245,245)
Equipment and vehicles	(1,538,338)	(211,431)	25,928	(1,723,841)
<b>Total Accumulated Depreciation</b>	<b>(10,636,975)</b>	<b>(742,553)</b>	<b>25,928</b>	<b>(11,353,600)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>12,047,795</b>	<b>(443,456)</b>	<b>-</b>	<b>11,604,339</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 12,795,160</b>	<b>3,465,625</b>	<b>-</b>	<b>16,260,785</b>

Depreciation expense for 2021 was charged to Town functions as follows:

**Governmental Activities:**

General government	\$ 476,330
Public safety	64,203
Public works	906,199
Community development	14,644
Culture and recreation	604,533
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 2,065,909</b>

**Business-type Activities:**

Water Fund	\$ 323,965
Marina Fund	418,588
<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$ 742,553</b>

At December 31, 2021, the Town had \$8,016,940 of fully-depreciated assets.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**E. Operating Leases**

The Town is committed under various leases for buildings, office space, and equipment. For accounting purposes, these leases are considered to be operating leases, and therefore, the liability and the related assets have not been recorded in these financial statements.

**F. Interfund Receivables, Payables, and Transfers**

**1. Loan Agreement – Water Fund and Capital Improvement Fund**

Balances due between funds at December 31, 2021 were as follows:

<b>Receivable By</b>	<b>Payable By</b>	<b>Balance Dec. 31/21</b>
Water Fund	Capital Fund	\$ 717,984

Effective December 31, 2014, the Town's Capital Improvement Fund was authorized to borrow \$1,000,000 from the Town's Water Fund in order to pay for Main Street improvements completed in 2014. Interest will be calculated annually on December 1, beginning in 2015 and continuing through 2029, at a rate equal to the average annual interest rate earned on the Town's idle funds during the preceding eleven months as multiplied by amounts outstanding each year at December 1. Beginning in 2015, blended interest and principal payments of \$30,000 will be paid annually through December 1, 2019. Beginning in 2020, payments will include interest plus a portion of the outstanding balance necessary by estimate to result in full payment of the remaining outstanding amount no later than December 1, 2029.

At December 31, 2021, the principal amount outstanding on this loan was \$717,984. Interest and principal payments made by the Capital Improvement Fund to the Water Fund during 2021 totaled \$569 and \$94,431, respectively, representing an interest rate of 0.07% per annum for the year.

**2. Transfers**

The following interfund transfers occurred during the year ended December 31, 2021:

<b>Transferred To</b>	<b>Transferred From</b>	<b>Amount Transferred</b>
Capital Fund	General Fund	\$ 13,480,105
Housing Fund	General Fund	\$ 287,500

The transfer to the Capital Improvement from the General Fund moves funds exceeding the General Fund minimum fund balance limits and accumulates funds for future capital projects. See Note IV.M. for additional information.

The transfer to the Summit County Housing Authority 5A Fund from the General Fund provides additional funds for ongoing and future expenditures to assist housing needs.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**G. Long-term Liabilities**

*Governmental Activities:*

**1. Refunding Certificates of Participation, Series 2010A**

On June 3, 2010, the Authority issued \$1,950,000 in Refunding Certificates of Participation to advance refund Series 2002 Certificates of Participation maturing December 1, 2010 through 2021 with total principal due of \$1,765,000 and bearing interest rates from 4% to 5%. The 2010A Refunding Certificates of Participation bear interest ranging from 2% to 4% and mature in annual increments from December 1, 2010 through 2021. The final payment was made on December 1, 2021.

The net proceeds of \$1,917,775 were deposited with UMB Corporate Trust Services, as trustee, to provide for all future debt service payments on the advance refunded Series 2002 certificates. The reacquisition price exceeded the net carrying amount of the old certificates by \$237,706. This amount is being netted against the new debt and amortized over the life of remaining life of the debt.

**2. Lease Purchases**

**A. First & Main Frisco, L.L.C.**

On April 1, 2015, the Town executed a lease purchase agreement with First & Main Frisco, L.L.C. for the purchase of certain real property in the amount of \$1,200,000 and bearing interest at 4% per annum. Blended principal and interest payments are due beginning April 1, 2015 in the amount of \$36,000 and continuing January 1, 2016 through January 1, 2031 in the amount of \$100,000.

**B. ZB, N.A., dba Vectra Bank Colorado**

On August 24, 2017, the Town executed a non-taxable lease purchase agreement with ZB, N.A., dba Vectra Bank Colorado to advance refund Series 2010B Certificates of Participation maturing 2021 through 2030 with total rent payments due of \$2,487,000 and bearing interest at 2.6% per annum, to be paid annually December 1, 2017 through 2030.

The net proceeds of \$2,412,441 were deposited with UMB Corporate Trust Services, as trustee, to provide for all future debt service payments on the advance refunded Series 2010B Certificates of Participation.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**G. Long-term Liabilities (continued)**

*Governmental Activities (continued):*

**3. Annual Debt Service Requirements – Governmental Activities**

Aggregate annual debt service requirements to maturity for governmental activities are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 313,136	89,754	402,890
2023	315,197	80,598	395,795
2024	321,369	71,349	392,718
2025	327,156	61,898	389,054
2026	332,562	52,255	384,817
2027 - 2031	1,408,585	111,184	1,519,769
<b>Total</b>	<b>\$ 3,018,005</b>	<b>467,038</b>	<b>3,485,043</b>

*Business-type Activities:*

**4. Marina Revenue Bonds**

On February 26, 2019, the Town, through its Marina Enterprise Fund, issued \$5,450,000 in Marina Enterprise Revenue Bonds, Series 2019. The bonds, which mature through December 1, 2048, bear interest at 5% per annum. Net proceeds are being used to pay construction costs for marina expansion, debt-related issuance costs, and to fund a debt reserve account. Repayment of the bonds will be from the revenues of the Marina Enterprise Fund, with interest payments on June 1 and December 1, beginning in 2019, and annual principal payments due December 1, beginning in 2021.

Debt service requirements to maturity for business-type activities are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 80,000	268,750	348,750
2023	85,000	264,750	349,750
2024	90,000	260,500	350,500
2025	100,000	256,000	356,000
2026	105,000	251,000	356,000
2027 - 2031	635,000	1,169,500	1,804,500
2032 - 2036	865,000	988,750	1,853,750
2037 - 2041	1,150,000	745,250	1,895,250
2042 - 2046	1,525,000	422,250	1,947,250
2047 - 2048	740,000	56,000	796,000
<b>Total</b>	<b>\$ 5,375,000</b>	<b>4,682,750</b>	<b>10,057,750</b>

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**H. Long-term Liabilities – Compensated Absences**

The Town has a policy allowing the accumulation of paid vacation and sick leave, subject to certain maximum limits. In accordance with GAAP, the Town's approximate liability for vacation and sick pay earned by employees at December 31, 2021 has been reflected in the proprietary type fund financial statements and in the governmental activities column of the government-wide financial statements. The General Fund has been used in prior years to liquidate the liability for compensated absences related to governmental activities. The proprietary funds are used to liquidate the liability for compensated absences related to business-type activities.

**I. Long-term Liabilities – Debt Service Schedule**

Long-term liability activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>Certificates of Participation:</i>					
Series 2010A	\$ 65,000	-	(65,000)	-	\$ -
Issuance premium	122	-	(122)	-	-
Certificates of Participation, net	<u>65,122</u>	<u>-</u>	<u>(65,122)</u>	<u>-</u>	<u>-</u>
<i>Lease Purchases:</i>					
First & Main, L.L.C.	840,486	-	(66,381)	774,105	69,036
Vectra Bank Colorado	2,416,300	-	(172,400)	2,243,900	244,100
Capital leases, net	<u>3,256,786</u>	<u>-</u>	<u>(238,781)</u>	<u>3,018,005</u>	<u>313,136</u>
Net pension liability(asset)	(58,957)	-	(147,260)	(206,217)	-
Compensated absences	<u>708,636</u>	<u>472,741</u>	<u>(639,701)</u>	<u>541,676</u>	<u>216,672</u>
<b>Total Governmental Activities</b>					
<b>Long-term Liabilities</b>	<u>\$ 3,971,587</u>	<u>472,741</u>	<u>(1,090,864)</u>	<u>3,353,464</u>	<u>\$ 529,808</u>
<b>Business-type Activities:</b>					
Revenue bonds	\$ 5,450,000	-	(75,000)	5,375,000	\$ 80,000
Issuance premium	60,995	-	(2,177)	58,818	-
Revenue bonds, net	<u>5,510,995</u>	<u>-</u>	<u>(77,177)</u>	<u>5,433,818</u>	<u>80,000</u>
Compensated absences	<u>85,047</u>	<u>61,650</u>	<u>(66,223)</u>	<u>80,474</u>	<u>32,190</u>
<b>Total Business-type Activities</b>					
<b>Long-term Liabilities</b>	<u>\$ 5,596,042</u>	<u>61,650</u>	<u>(143,400)</u>	<u>5,514,292</u>	<u>\$ 112,190</u>

**J. Reporting Requirements**

The Town is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 215c2-12.

**K. Refunded Debt**

At various dates, the Town has invested proceeds from refunding debt issues in securities issued by the U.S. government and related agencies and held in escrow trust accounts. The amounts placed in these escrow trust accounts and the interest to be earned on the investments have been timed to adequately meet all debt service requirements of the Town's refunded certificates of participation.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**K. Refunded Debt (continued)**

The escrow trust accounts are administered by the trustees and are restricted for the retirement of the refunded debt. The liability for the refunded certificates and the related securities and escrow accounts are not included in the accompanying financial statements, as the Town is only contingently liable for the refunded debt and therefore, the refunded bonds are considered to be extinguished debt. The Town is unable to determine the amount of defeased certificates outstanding at December 31, 2021.

**L. Pension Asset / Liability, Pension Revenue / Expense, and Deferred Outflows / Inflows of Resources Related to Pensions**

*Plan Description:* The Statewide Defined Benefit Plan (the "SWDB Plan") is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 ("New Hires"), provided they are not already covered by a statutorily exempt plan. As of August 1, 2003, the SWDB Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection.

The plan assets are included in the Fire & Police Members' Benefit Investment Fund and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan ("DROP") assets and Separate Retirement Account assets from eligible retired members).

The SWDB Plan is administered by the Fire & Police Pension Association of Colorado ("FPPA").

*Contributions.* Through December 31, 2020, contributions rates for the SWDB Plan are set by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates may be increased by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate 0.5% annually from 2015 through 2022 to a total of 12% of base salary. Employer contributions will increase 0.5% annually beginning in 2021 through 2030 to a total of 13%. In 2021, employees and employers are contributing at a rate of 11.5% and 8.5%, respectively, of base salary for a total contribution rate of 20%.

Contributions from members and employers of plans reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23% and 23.5% of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4% contribution to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the SWDB Plan in accordance with their most recent FPPA Board of Directors approved resolution.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**L. Pension Asset / Liability, Pension Revenue / Expense, and Deferred Outflows / Inflows of Resources Related to Pensions (continued)**

*Benefits:* On May 23, 1983, the Colorado Revised Statutes were amended to allow the Trustees of the SWDB Plan to change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The amended statutes state that retirement age should not be less than age 55 or more than age 60. The Trustees subsequently elected to amend the retirement provisions, effective July 1, 1983, such that any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50, known as the "Rule of 80".

The annual normal retirement benefit is 2% of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. Benefits paid to retired members are evaluated annually and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3% or the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W").

A member is eligible for an early retirement at age 50 with at least 5 years of credited services or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the SWDB Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

*Net Pension Asset:* At December 31, 2021, the SWDB Plan's fiduciary net position exceeds the total pension liability; consequently, the Town reported an asset of \$206,217 for its proportionate share of the SWDB Plan's net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2021. The Town's proportion of the net pension asset was based on Town contributions to the SWDB Plan for calendar year 2020, relative to the total contributions of participating employers to the SWDB Plan.

At the December 31, 2020 measurement, the Town's proportionate share was 0.094862%, as compared to 0.104242% at the December 31, 2019 measurement.

For the year ended December 31, 2021, the Town recognized pension revenue of \$184.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**L. Pension Asset / Liability, Pension Revenue / Expense, and Deferred Outflows / Inflows of Resources Related to Pensions (continued)**

*Net Pension Asset (continued):* At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 174,891	820
Change of assumptions or other inputs	87,707	-
Net difference between projected and actual earnings on pension plan investments	-	211,813
Changes in proportionate share of contributions	97,101	12,873
Difference between actual and reported contributions recognized	415	1,576
Contributions subsequent to measurement date	71,197	-
	<b>\$ 431,311</b>	<b>227,082</b>

Contributions subsequent to the measurement date of December 31, 2020 – which are reported as deferred outflows of resources related to pensions – will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	<b>Amortization</b>
2022	\$ (9,868)
2023	17,605
2024	(18,030)
2025	16,494
2026	47,954
Thereafter	78,877
	<b>\$ 133,032</b>

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**L. Pension Asset / Liability, Pension Revenue / Expense, and Deferred Outflows / Inflows of Resources Related to Pensions (continued)**

*Actuarial assumptions:* The collective total pension liability and actuarially-determined contributions in the December 31, 2020 actuarial valuation were determined using the following actuarial assumptions and other inputs:

<b>Actuarial Assumptions</b>	<b>Total Pension Liability</b>		<b>Actuarially Determined Contributions</b>
	2021	2020	
Actuarial Valuation Date - January 1			
Actuarial method	Entry Age	Entry Age	
	Normal	Normal	
Amortization Method	N/A	Level % of Payroll, open	
Amortization Period	N/A	30 years	
Long-term Investment Rate of Return*	7.0	7.0%	
Projected Salary Increases*	4.25%-11.25%	4.25%-11.25%	
Cost of Living Adjustments (COLA)	0.0%	0.0%	
*Includes inflation at	2.5%	2.5%	

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**L. Pension Asset / Liability, Pension Revenue / Expense, and Deferred Outflows / Inflows of Resources Related to Pensions (continued)**

*Actuarial assumptions (continued):* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5%). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Global equity	39.00%	8.23%
Equity long/short	8.00%	6.87%
Private markets	25.00%	10.63%
Fixed income-rates	10.00%	4.01%
Fixed income-credit	5.00%	5.25%
Absolute return	10.00%	5.60%
Cash	2.00%	2.32%
Total	<u>99.00%</u>	

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Discount rate:* Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the SWDB Plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the SWDB Plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.50% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**L. Pension Asset / Liability, Pension Revenue / Expense, and Deferred Outflows / Inflows of Resources Related to Pensions (continued)**

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate:* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Collective net pension asset (liability)	\$ (218,477,475)	\$ 217,100,397	\$ 577,813,278
Proportionate share of net pension liability (asset)	\$ (207,252)	\$ 206,217	\$ 548,125

*Pension plan fiduciary net position:* Detailed information about the SWDB Plan's fiduciary net position is available in FPPA's annual comprehensive financial report, which can be obtained on FPPA's website at <http://www.FPPAco.org>.

**M. Fund Balance Disclosures**

The Town classifies governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, and long-term portions of loans receivable.

*Spendable Fund Balance:*

*Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority, which is the Town Council. The Town Council must take formal action through either an ordinance or a resolution – both of which are equally binding – to establish, modify or rescind committed fund balance amounts.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Council or its management designees. The Town Manager has the authority to establish, modify or rescind assigned fund balance to a specific department or project within a fund, as stated in the Town's adopted financial policies.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**M. Fund Balance Disclosures (continued)**

*Unassigned* – includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Town's restricted amounts are to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts when expenditures are made.

The Town's General Fund has a seven-month required minimum reserve based on prior year expenditures.

On October 13, 2020 and in response to the ongoing COVID-19 pandemic, the Town established a budget stabilization reserve. The budget stabilization reserve is temporary and suspends the Town's requirement to transfer amounts in excess of the seven-month minimum reserve from the General Fund to the Capital Improvement Fund. Additionally, the budget stabilization reserve is to be used to meet Town needs due to the uncertainty of the COVID-19 pandemic. Budget stabilization reserve funds may be used with a majority vote of Town Council for the following purposes:

- Essential operations of the Town that are threatened by worsening economic conditions,
- Opportunities to pursue capital projects that would be of future benefit to the Town,
- Emergency purposes, and
- Instances for which Town Council deems funding necessary to meet the needs of the Town.

The budget stabilization reserve will remain in place until a resolution abolishing it is approved.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**IV. Detailed Notes on all Funds (continued)**

**M. Fund Balance Disclosures (continued)**

As of December 31, 2021, fund balances are composed of the following:

<b>Classification</b>	<b>Summit County</b>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Housing Authority 5A Fund</b>	<b>Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	
<b>Non-spendable:</b>					
Inventories	\$ 23,457	-	-	10,181	33,638
Prepays	2,137	-	-	-	2,137
Long-term receivables	38,620	-	-	-	38,620
<b>Restricted:</b>					
State constitution:					
TABOR reserve	709,000	-	-	-	709,000
Conservation Trust	-	-	-	109,663	109,663
Debt service	-	-	140,607	-	140,607
Historic preservation	-	-	-	1,024	1,024
Voter-approved measures for:					
Affordable housing	-	8,043,877	-	-	8,043,877
Economic development	-	-	-	1,003,636	1,003,636
Nicotine tax - Public health	-	-	-	648,260	648,260
<b>Committed:</b>					
Council resolutions:					
Insurance reserve	-	-	-	212,201	212,201
Open space	-	-	-	12,526	12,526
Capital projects	-	-	17,537,840	-	17,537,840
<b>Assigned:</b>					
Internal balances	-	-	-	-	-
Due from other governments	8,741	-	-	-	8,741
Cash held for others	7,525	-	-	-	7,525
<b>Unassigned</b>	<b>7,609,393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,609,393</b>
<b>Total</b>	<b>\$ 8,398,873</b>	<b>8,043,877</b>	<b>17,678,447</b>	<b>1,997,491</b>	<b>36,118,688</b>

**V. Other Information**

**A. Marina Lease Agreement**

In 1994, the Town entered into a lease agreement (the "Lease") with the City and County of Denver ("Denver"), through Denver's Board of Water Commissioners (the "Water Board"), whereby the Town was granted the exclusive right to occupy and use certain real property and water surface covering real property at the Dillon Reservoir (collectively, the "Marina Property"). Under the Lease, the Town is authorized to use the Marina Property for marina operations and other recreational activities, as approved by the Water Board. No water rights were granted to the Town through the Lease.

The Lease calls for the Town to pay annual rent equal to 4% of gross revenue generated from the Marina Property from all sources, including mooring fees collected by the Town. The Town incurred an expense of \$72,986 in connection with the Lease during 2021.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**V. Other Information (continued)**

**B. Deferred Compensation Plan**

The Town offers its full time, year-round employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code (the “457 Plan”). The 457 Plan permits eligible employees to defer a portion of their salary until future years.

All compensation deferred under the 457 Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the participants and their beneficiaries. Compensation deferred under the 457 Plan is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Town does not contribute to the 457 Plan; however, the Town does match participating employees’ contributions through a contribution to the Town’s 401(a) plan as discussed below. Employees may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service.

Investment decisions within the 457 Plan are determined by the individual participants and, therefore, the 457 Plan’s investment concentration varies between participants.

The Town is the Trustee of the 457 Plan and, accordingly, has no liability for losses under the plan. However, the Town does have the duty of due care that would be required of an ordinary prudent investor. Consequently, the 457 Plan is not part of the Town’s financial statements.

**C. Pension Plan – Section 401(a) Plan**

In 2008, the Town established a qualified money purchase pension plan under section 401(a) of the Internal Revenue Code (the “Pension Plan”). The Pension Plan is administered by ICMA Retirement Corporation (“ICMA”).

The Pension Plan is a defined contribution plan, in which benefits depend solely on amounts contributed and investment earnings. Employees do not make contributions to the Pension Plan. Rather, the Town makes contributions to the Pension Plan to match a portion of employee contributions to the 457 Plan. Under the terms of the Pension Plan, the Town contributes 3% of each participating employee’s salary during the first two years of eligibility and one additional percentage for each succeeding year, to a maximum of 7%.

Town employees are eligible to participate in the Pension Plan upon employment, provided they make elective contributions to the 457 Plan. For employees hired after January 1, 2005, vesting of the Town’s contribution is 33% after the first year of employment, with an additional vesting of 33% per year through the third year, when vesting is 100%. Employees hired before January 1, 2005 were 100% vested upon employment.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**V. Other Information (continued)**

**C. Pension Plan – Section 401(a) Plan (continued)**

Pension Plan investment purchases are determined by the individual participants, and therefore, the Pension Plan's investment concentration varies between participants.

The Town's annual pension cost of \$229,198 for the Pension Plan was equal to the Town's required and actual contribution.

The Town may use the Pension Plan's forfeitures to pay the costs of the Pension Plan or to fund employer contributions. During 2021 the Town used \$10,189 of forfeitures to fund contributions. There are no forfeitures available for spending at December 31, 2021.

While the Town is trustee of the Pension Plan, it has no liability for losses under the Pension Plan. Accordingly, the Pension Plan is not part of the Town's financial statements.

**D. FPPA Death and Disability Plan**

*Plan Description:* Police officers of the Town contribute to the Statewide Death and Disability Plan (the "SWDD Plan"). The SWDD Plan is a cost-sharing multiple-employer defined benefit death and disability plan administered by FPPA. Contributions to the SWDD Plan are used solely for the payment of death and disability benefits. The SWDD Plan was established in 1980 pursuant to Colorado Revised Statutes.

SWDD Plan benefits provide 24-hour coverage for both on- and off-duty members not eligible for normal retirement under a defined benefit plan, and members who have not met 25 years of accumulated service and age 55 under a money purchase plan.

In the case of an on-duty death, benefits may be payable to the surviving spouse or dependent children of active members who were eligible to retire but were still working. Death and disability benefits are free from state and federal taxes in the event that a member's disability is determined to be the result of an on-duty injury or an occupational disease.

*Funding Policy:* Prior to 1997, the SWDD Plan was primarily funded by the State of Colorado (the "State"), whose contributions were established by Colorado statute. In 1997, the State made a one-time contribution of \$39,000,000 to fund past and future service costs for all firefighters and police officers hired prior to January 1, 1997. No further State contributions are anticipated.

The SWDD Plan is funded by member or on-behalf of member contributions. Members hired on or after January 1, 1997, began contributing 2.4% of base salary to the SWDD Plan. Contributions may be increased 0.1% biennially by the FPPA Board. The contribution rate increased to 2.8% of base salary as of January 1, 2019. This percentage can vary depending on actuarial experience. All contributions are made by members or on behalf of members. Contributions may be paid entirely by the Town or member, or it may be split between the Town and the member as determined at the local level. The Town paid \$20,486 on behalf of members to the SWDD Plan during 2021.

FPPA issues a publicly available comprehensive annual financial report which includes additional information on the SWDD Plan. That report can be obtained at <https://www.fppaco.org/annual-reports.html>.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**V. Other Information (continued)**

**E. Retirement Health Savings Account**

Effective January 1, 2019, the Town established a Retirement Health Savings Account ("RHSA") for employees after their sick leave balance exceeds 480 hours. RHSA accounts are offered as a benefit to employees in an effort to assist employees and their qualified dependents post-employment. In accordance with IRS regulations and the RHSA plan document, funds in an RHSA can only be used for approved medical, dental, and vision premiums for the employee and their qualified dependents. Funds deposited into an employee's RHSA cannot be accessed until the employee separates from the Town.

For vested employees with sick leave balances exceeding 480 hours at the end of the calendar year, those hours exceeding 480 hours are exchanged for the equivalent to the employee's rate of pay on December 31 and deposited into the employee's RHSA. This exchange takes place in January of the following year and does not occur earlier, even in the case of a separation of service.

The RHSA plan is administered by ICMA under an agreement which shall be in effect until 2024 and will automatically renew for each succeeding year unless terminated in writing by either party 60 days prior to the end of year.

Employees are 100% vested at all times.

RHSA investment purchases are determined by the individual participants and, therefore, the RHSA's investment concentration varies between participants.

The Town's contributed \$45,530 to RHSA for 2021.

While the Town is trustee of the RHSA, it has no liability for losses under the RHSA plan. Accordingly, the RHSA is not part of the Town's financial statements.

**F. Cafeteria Plan**

The Town offers a cafeteria compensation plan organized under Section 125 of the Internal Revenue Code, which includes dependent care and health expense reimbursement. No cost to the Town is recognized as the plan is a salary reduction plan.

**G. Risk Management**

**1. Colorado Intergovernmental Risk Sharing Agency**

The Town is exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. To address such risks, the Town is a participant in a public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency ("CIRSA").

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**V. Other Information (continued)**

**G. Risk Management (continued)**

**1. Colorado Intergovernmental Risk Sharing Agency (continued)**

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$500,000 per claim or occurrence for property, \$600,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the Town may be liable for any losses in excess of this coverage, the Town does not anticipate such losses at December 31, 2021. The deductible amount paid by the Town for each incident in 2021 was \$1,000; there is no change in coverage from past years. All settlements for the year ended December 31, 2021 were under the maximum coverage allowed.

Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds.

The Town's share of CIRSA's assets, liabilities and fund equity as of December 31, 2021 (the latest year for which audited data is available) is as follows:

<b>Property and Casualty Pool</b>	<b>Share of Surplus (Deficit)</b>	
	<b>Equity Ratio</b>	<b>Dec 31/2021</b>
Operating Fund	0.544%	\$ 60,591
Loss Fund	0.626%	148,178
Pooled Excess Fund	0.419%	(47,824)
Reserve Fund	0.661%	58,549

CIRSA's combined financial information for the year ended December 31, 2021 (the latest year for which audited data is available) is summarized as follows:

<b>Assets:</b>	
Cash and investments	\$ 90,532,926
Other assets	7,633,822
<b>Total assets</b>	<b>\$ 98,166,748</b>
<b>Total liabilities</b>	<b>\$ 42,047,618</b>
<b>Net position</b>	<b>\$ 56,119,130</b>
Total contributions and other revenues	\$ 32,058,222
Total expenses and distributions	(33,223,759)
<b>Change in net position</b>	<b>\$ (1,165,537)</b>

A copy of CIRSA's audit report can be obtained by writing to CIRSA, 3665 Cherry Creek North Drive, Denver, CO 80209, or by calling (800)-228-7136.

**Town of Frisco, Colorado**  
**Notes to the Financial Statements**  
**December 31, 2021**  
**(Continued)**

**V. Other Information (continued)**

**G. Risk Management (continued)**

**2. Workers Compensation and Health Insurance**

The Town is exposed to various risks of loss related to workers' compensation, unemployment, and general liability. The Town has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage. There is no change in coverage from past years, and settlements have not exceeded coverage for each of the past three fiscal years.

The Town also offers health insurance to certain employees through the City's self-funded health plan with excess coverage underwritten by a commercial carrier. Liabilities for retained risk claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR").

The following is a summary of the changes in the balances of claims liabilities during 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Unpaid (prepaid) claims, beginning of year	\$ 119,700	144,700
New claims incurred	673,200	1,019,700
Claim payments	(728,200)	(1,044,700)
Unpaid (prepaid) claims, end of year	<u>\$ 64,700</u>	<u>119,700</u>

**H. Claims and Contingencies**

**1. Legal Claims**

During the normal course of business, the Town incurs claims and other assertions against it from various agencies and individuals. The Town and legal counsel intend to vigorously defend such claims. In the opinion of the Town's management, such claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Town at December 31, 2021.

**2. Federal Funds**

Funds received from Federal grants and programs are subject to audit and disallowance on ineligible costs. Management of the Town feels any potential questioned or disallowed costs would not materially affect the fairness of the presentation of the financial statements at December 31, 2021.

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**REQUIRED SUPPLEMENTARY INFORMATION**



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**Town of Frisco, Colorado**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020	
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
General property	193,011	193,011	192,957	(54)	192,149
Specific ownership	9,000	9,000	10,425	1,425	9,800
City sales tax	4,375,000	4,375,000	5,808,528	1,433,528	5,002,167
County sales tax	4,525,000	4,525,000	6,209,560	1,684,560	5,483,050
Franchise fees	307,000	307,000	348,211	41,211	320,081
Other taxes	407,500	407,500	518,398	110,898	509,064
<b>Total - Taxes</b>	<b>9,816,511</b>	<b>9,816,511</b>	<b>13,088,079</b>	<b>3,271,568</b>	<b>11,516,311</b>
<b>License and Permits:</b>					
Business and liquor licenses	160,000	160,000	152,630	(7,370)	182,434
Development	79,000	79,000	92,081	13,081	103,862
Building	150,000	150,000	311,107	161,107	128,560
Short term rental licenses	78,000	78,000	108,125	30,125	85,449
Other	500	500	20	(480)	486
<b>Total - License and Permits</b>	<b>467,500</b>	<b>467,500</b>	<b>663,963</b>	<b>196,463</b>	<b>500,791</b>
<b>Intergovernmental:</b>					
Highway users	100,000	100,000	122,247	22,247	100,255
County road and bridge	75,000	75,000	98,486	23,486	97,533
Grants	-	340,500	502,106	161,606	755,511
Motor vehicle registration	29,000	29,000	44,754	15,754	40,733
Other	2,000	2,000	2,675	675	26,811
<b>Total - Intergovernmental</b>	<b>206,000</b>	<b>546,500</b>	<b>770,268</b>	<b>223,768</b>	<b>1,020,843</b>
<b>Charges for Services:</b>					
Nordic Center	387,100	387,100	559,082	171,982	466,264
Historic Park	9,500	9,500	11,259	1,759	4,921
Special events	375,500	375,500	-	(375,500)	4,060
Recreation fees	230,000	230,000	336,950	106,950	240,471
Frisco Adventure Park fees	2,066,000	2,066,000	1,327,428	(738,572)	1,574,823
Building rents	120,000	120,000	154,200	34,200	128,200
Police services and Fines	39,000	39,000	44,414	5,414	31,779
Administration fees	62,500	62,500	62,500	-	62,500
<b>Total - Charges for Services</b>	<b>3,289,600</b>	<b>3,289,600</b>	<b>2,495,833</b>	<b>(793,767)</b>	<b>2,513,018</b>
<b>Investment Income</b>	<b>32,000</b>	<b>32,000</b>	<b>10,382</b>	<b>(21,618)</b>	<b>95,332</b>
<b>Other Revenues:</b>					
Disposable bag fee	80,000	80,000	236,273	156,273	150,330
Other	53,500	53,500	156,105	102,605	134,444
<b>Total - Other Revenues</b>	<b>133,500</b>	<b>133,500</b>	<b>392,378</b>	<b>258,878</b>	<b>284,774</b>
<b>Total Revenues</b>	<b>13,945,111</b>	<b>14,285,611</b>	<b>17,420,903</b>	<b>3,135,292</b>	<b>15,931,069</b>

(Continued)

**Town of Frisco, Colorado**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**  
**(Continued)**

	2021			2020	
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
<b>Expenditures:</b>					
General Government:					
Interdepartmental services	2,716,900	2,803,450	2,868,694	(65,244)	2,839,514
Legislative	66,736	66,736	67,586	(850)	65,613
Finance	349,068	349,068	384,163	(35,095)	341,320
Municipal Court	28,127	28,127	27,156	971	26,259
Administrative	841,753	930,972	1,177,276	(246,304)	875,012
Discretionary funds	126,100	126,100	639,930	(513,830)	666,629
<b>Total - General Government</b>	<b>4,128,684</b>	<b>4,304,453</b>	<b>5,164,805</b>	<b>(860,352)</b>	<b>4,814,347</b>
Public Safety:					
Police and animal control	1,669,808	1,795,270	1,447,067	348,203	1,381,818
Community Development:					
Planning and building department	811,095	844,290	792,135	52,155	740,142
Marketing and communications	621,227	621,227	612,390	8,837	501,803
Community relations	268,428	268,428	75,798	192,630	69,351
<b>Total - Community Development</b>	<b>1,700,750</b>	<b>1,733,945</b>	<b>1,480,323</b>	<b>253,622</b>	<b>1,311,296</b>
Public Works:					
Streets/properties -					
Maintenance/improvements	2,202,320	2,243,926	1,990,149	253,777	1,957,973
Culture and Recreation:					
Historic Park	277,557	285,557	218,873	66,684	182,814
Special events	725,748	725,748	204,936	520,812	187,503
Recreation	551,059	559,379	456,671	102,708	405,900
Frisco Adventure Park	1,369,903	1,403,917	952,635	451,282	1,121,442
Nordic Center	528,542	556,328	391,145	165,183	356,762
<b>Total - Culture and Recreation</b>	<b>3,452,809</b>	<b>3,530,929</b>	<b>2,224,260</b>	<b>1,306,669</b>	<b>2,254,421</b>
<b>Total Expenditures</b>	<b>13,154,371</b>	<b>13,608,523</b>	<b>12,306,604</b>	<b>1,301,919</b>	<b>11,719,855</b>
Excess (Deficiency) of Revenues over Expenditures	790,740	677,088	5,114,299	4,437,211	4,211,214
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	4,700,000
Transfers (out)	-	(13,767,605)	(13,767,605)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(13,767,605)</b>	<b>(13,767,605)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	790,740	(13,090,517)	(8,653,306)	4,437,211	8,911,214
<b>Fund Balance - January 1</b>	<b>14,367,595</b>	<b>14,367,595</b>	<b>17,052,179</b>	<b>2,684,584</b>	<b>8,140,965</b>
<b>Fund Balance - December 31</b>	<b>15,158,335</b>	<b>1,277,078</b>	<b>8,398,873</b>	<b>7,121,795</b>	<b>17,052,179</b>

**Town of Frisco, Colorado**  
**Summit County Housing Authority 5A Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>Revenues:</b>				
County sales tax	1,350,000	1,350,000	1,787,396	437,396
Developer impact fees	50,000	50,000	90,206	40,206
Investment income	24,000	24,000	3,854	(20,146)
Rental income	70,320	70,320	70,730	410
<b>Total Revenues</b>	<b>1,494,320</b>	<b>1,494,320</b>	<b>1,952,186</b>	<b>457,866</b>
<b>Expenditures:</b>				
General government	171,621	171,621	145,184	26,437
Capital outlay	4,955,000	5,380,000	717,805	4,662,195
<b>Total Expenditures</b>	<b>5,126,621</b>	<b>5,551,621</b>	<b>862,989</b>	<b>4,688,632</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(3,632,301)</b>	<b>(4,057,301)</b>	<b>1,089,197</b>	<b>5,146,498</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	287,500	287,500	-
<b>Net Change in Fund Balance</b>	<b>(3,632,301)</b>	<b>(3,769,801)</b>	<b>1,376,697</b>	<b>5,146,498</b>
<b>Fund Balance - January 1</b>	<b>6,214,133</b>	<b>6,214,133</b>	<b>6,667,180</b>	<b>453,047</b>
<b>Fund Balance - December 31</b>	<b>2,581,832</b>	<b>2,444,332</b>	<b>8,043,877</b>	<b>5,599,545</b>
				<b>6,667,180</b>

**Town of Frisco, Colorado**  
**Schedule of Town's Proportionate Share of Net Pension (Asset) Liability**  
**Statewide Defined Benefit Plan**  
**Fire and Police Pension Association of Colorado**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

	<b>Measurement period ending December 31,</b>							
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Town's portion of the net pension (asset) liability	0.094862%	0.104242%	0.102109%	0.129007%	0.147306%	0.134622%	0.137171%	0.176403%
Town's proportionate share of the net pension (asset) liability	(206,217)	(58,957)	129,084	(185,598)	53,226	(2,375)	(154,808)	(157,737)
Town's covered payroll	767,075	743,400	681,688	756,313	756,488	659,263	618,088	772,725
Town's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	26.9%	7.9%	-18.9%	24.5%	-7.0%	0.4%	25.0%	20.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	106.70%	101.90%	95.20%	106.30%	98.21%	100.10%	106.80%	105.80%

\* Information is only available beginning in measurement year 2013.

**Town of Frisco, Colorado**  
**Schedule of Town Contributions**  
**Statewide Defined Benefit Plan**  
**Fire and Police Pension Association of Colorado**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

	<b>Fiscal years ending December 31,</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Contractually required contribution	71,197	61,366	59,472	54,535	60,505	60,519	52,741	49,447	
Actual contributions	(71,197)	(61,366)	(59,472)	(54,535)	(60,505)	(60,519)	(52,741)	(49,447)	
<b>Contribution deficiency (excess)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Town's covered payroll	837,612	767,075	743,400	681,688	756,313	756,488	659,263	618,088	
Contributions as a percentage of covered payroll	8.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014.

**Town of Frisco, Colorado**  
**Notes to the Required Supplementary Information**  
**December 31, 2021**

**I. Budgetary Information**

Budgets for governmental funds are prepared in accordance with accounting principles generally accepted in the United States of America by the Town's Finance Department and adopted by Town Council following a public hearing.

Any change in the total to a fund's budget requires approval of Town Council. All unexpended annual appropriations lapse at year-end. Budgets for these projects are appropriated in the following year.

**II. Notes to the Schedule of Town's Proportionate Share of Net Pension (Asset) Liability**

**A. Changes to Assumptions or Other Inputs**

**1. Changes Since the January 1, 2018 Actuarial Valuation**

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

**2. Changes Since the January 1, 2017 Actuarial Valuation**

- No changes.

**3. Changes Since the January 1, 2016 Actuarial Valuation**

- No changes.

**4. Changes Since the January 1, 2015 Actuarial Valuation**

Effective January 1, 2016, the post-retirement mortality tables for non-disabled retirees are a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The occupationally disabled post-retirement mortality assumption uses the same table as used for healthy annuitants, except that it is a three-year set-forward, meaning a disabled member age 70 will be valued as if they were a 73-year-old healthy retiree. The totally disabled post-retirement mortality assumption uses the RP-2014 generational mortality tables for disabled annuitants, except an additional provision to apply a minimum 3% mortality probability to males and 2% mortality probability for females is included to reflect substantial impairment for this population. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

**5. Changes Since the January 1, 2014 Actuarial Valuation**

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality, is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB, are used.

**Town of Frisco, Colorado**  
**Notes to the Required Supplementary Information**  
**December 31, 2021**  
**(Continued)**

**III. Notes to the Schedule of Town's Proportionate Share of Net Pension (Asset) Liability  
(continued)**

**B. Changes of Benefit Terms**

No changes during the years presented.

**C. Changes of Size or Composition of Population Covered by Benefit Terms**

No changes during the years presented.

**IV. Notes to the Schedule of Town Contributions**

**A. Changes to Assumptions or Other Inputs**

No changes during the years presented.

**B. Changes of Benefit Terms**

No changes during the years presented.

**C. Changes of Size or Composition of Population Covered by Benefit Terms**

No changes during the years presented.

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## **SUPPLEMENTARY INFORMATION**



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**Town of Frisco, Colorado**  
**Capital Improvement Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2010)**

				2020
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>Revenues:</b>				
Taxes - Real estate investment fees	1,400,000	1,400,000	2,773,501	1,373,501
Intergovernmental - Grants	84,195	84,195	105,584	21,389
Investment income	30,000	30,000	2,470	(27,530)
Miscellaneous	73,440	73,440	16,628	(56,812)
<b>Total Revenues</b>	<b>1,587,635</b>	<b>1,587,635</b>	<b>2,898,183</b>	<b>1,310,548</b>
<b>Expenditures:</b>				
General government - Agent fees	2,000	2,000	2,800	(800)
Capital outlay	1,992,695	3,627,695	1,715,034	1,912,661
Debt service:				
Principal	378,781	378,781	303,781	75,000
Interest	119,526	119,526	98,795	20,731
<b>Total Expenditures</b>	<b>2,493,002</b>	<b>4,128,002</b>	<b>2,120,410</b>	<b>2,007,592</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(905,367)</b>	<b>(2,540,367)</b>	<b>777,773</b>	<b>3,318,140</b>
<b>Other Financing Sources (Uses):</b>				
Sale of assets	70,000	70,000	14,190	(55,810)
Transfers out	-	-	-	-
Transfers in	-	13,480,105	13,480,105	-
<b>Total Other Financing Sources (Uses)</b>	<b>70,000</b>	<b>13,550,105</b>	<b>13,494,295</b>	<b>(55,810)</b>
<b>Net Change in Fund Balance</b>	<b>(835,367)</b>	<b>11,009,738</b>	<b>14,272,068</b>	<b>3,262,330</b>
<b>Fund Balance - January 1</b>	<b>1,918,902</b>	<b>1,918,902</b>	<b>3,406,379</b>	<b>1,487,477</b>
<b>Fund Balance - December 31</b>	<b>1,083,535</b>	<b>12,928,640</b>	<b>17,678,447</b>	<b>4,749,807</b>
				<b>3,406,379</b>

**Town of Frisco, Colorado**  
**Enterprise Fund - Water Fund**  
**Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

				2020
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues:</b>				
Charges for service - User charges	1,250,000	1,250,000	1,332,279	82,279
Water meter sales	20,000	20,000	14,585	(5,415)
Other operating revenue	-	-	3,983	3,983
<b>Total Operating Revenues</b>	<b>1,270,000</b>	<b>1,270,000</b>	<b>1,350,847</b>	<b>80,847</b>
<b>Operating Expenses:</b>				
Salaries and benefits	404,016	404,016	369,896	34,120
Administrative fees	42,500	42,500	42,500	-
Professional fees	70,000	70,000	57,559	12,441
Supplies and chemicals	40,000	40,000	18,181	21,819
Utilities	60,000	60,000	60,389	(389)
Repair and maintenance	66,000	66,000	30,685	35,315
General expenses	60,000	60,000	162,230	(102,230)
Capital outlay	1,625,000	1,625,000	730,967	894,033
Water meter replacements	40,000	40,000	51,612	(11,612)
<b>Total Expenses</b>	<b>2,407,516</b>	<b>2,407,516</b>	<b>1,524,019</b>	<b>883,497</b>
<b>Operating Income (Loss)</b>	<b>(1,137,516)</b>	<b>(1,137,516)</b>	<b>(173,172)</b>	<b>964,344</b>
<b>Non-operating Revenues (Expenses):</b>				
Investment income	21,000	21,000	3,515	(17,485)
Principal repayment	95,000	95,000	94,431	(569)
Plant investment fees	100,000	100,000	62,449	(37,551)
<b>Total Non-operating Revenues (Expenses)</b>	<b>216,000</b>	<b>216,000</b>	<b>160,395</b>	<b>(55,605)</b>
<b>Change in Net Positions - Budget Basis</b>	<b>(921,516)</b>	<b>(921,516)</b>	<b>(12,777)</b>	<b>908,739</b>
<b>Reconciliation to GAAP Basis:</b>				
<b>Adjustments:</b>				
Principal repayment			(94,431)	(86,283)
Capitalized assets			730,967	157,765
Depreciation			(323,965)	(304,943)
<b>Change in Net Position - GAAP Basis</b>			<b>299,794</b>	<b>351,550</b>

**Town of Frisco, Colorado**  
**Enterprise Fund - Marina Fund**  
**Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

				2020
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues:</b>				
Charges for service - User charges	1,693,550	1,893,550	2,090,803	197,253
Intergovernmental - Operating grants	45,000	45,000	39,888	(5,112)
<b>Total Operating Revenues</b>	<b>1,738,550</b>	<b>1,938,550</b>	<b>2,130,691</b>	<b>192,141</b>
<b>Operating Expenses:</b>				
Salaries and benefits	688,214	998,863	710,440	288,423
Administrative fees	20,000	20,000	20,000	-
Professional fees	47,000	167,000	131,494	35,506
Supplies	104,600	104,600	64,314	40,286
Utilities	22,000	22,000	23,569	(1,569)
Repair and maintenance	111,000	111,000	69,678	41,322
General expenses	307,500	307,500	319,559	(12,059)
Capital outlay	3,784,000	3,784,000	3,477,211	306,789
<b>Total Expenses</b>	<b>5,084,314</b>	<b>5,514,963</b>	<b>4,816,265</b>	<b>698,698</b>
<b>Operating Income (Loss)</b>	<b>(3,345,764)</b>	<b>(3,576,413)</b>	<b>(2,685,574)</b>	<b>890,839</b>
<b>Non-operating Revenues (Expenses):</b>				
Investment income	10,000	10,000	3,104	(6,896)
Gain (loss) on asset disposal	63,500	63,500	3,101	(60,399)
Agent fees	-	-	(400)	(400)
Principal repayment	-	-	(75,000)	(75,000)
Interest expense	(347,500)	(347,500)	(270,011)	77,489
<b>Total Non-operating Revenues (Expenses)</b>	<b>(274,000)</b>	<b>(274,000)</b>	<b>(339,206)</b>	<b>(65,206)</b>
<b>Change in Net Positions - Budget Basis</b>	<b>(3,619,764)</b>	<b>(3,850,413)</b>	<b>(3,024,780)</b>	<b>825,633</b>
<b>Reconciliation to GAAP Basis:</b>				
<b>Adjustments:</b>				
Principal repayment			75,000	-
Capitalized assets			3,477,211	798,179
Depreciation			(418,588)	(377,471)
<b>Change in Net Position - GAAP Basis</b>			<b>108,843</b>	<b>667,961</b>

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## **NON-MAJOR GOVERNMENTAL FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*Conservation Trust Fund* – This fund is used to account for receipt and disbursement of lottery funds. Each year, the State of Colorado distributes a percentage of profits from the sale of lottery tickets to municipalities which may only be used to maintain, acquire or construct recreational facilities, park facilities or open space.

*Historic Preservation Fund* – This fund was established for the purpose of accepting donations from the public for preservation and restoration of the Town's historic artifacts.

*Insurance Reserve Fund* – This fund was established by resolution in 2005 to set aside an amount equivalent to six months' of insurance expenditures to cover substantial insurance claims and unforeseen increases in the cost of providing insurance.

*Lodging Tax Fund* – This fund accounts for the voter-approved 2.35% tax imposed on lodging establishments. Expenditures are restricted to economic development, special events, advertising and promotion, recreation amenities and similar use.

*Open Space Fund* – This fund accounts for the acquisition and maintenance of open space.

*Nicotine Tax Fund* – This fund accounts for the voter-approved sales taxes imposed at \$4 per pack of cigarettes and 40% on all other tobacco and nicotine products and related devices.



**Town of Frisco, Colorado**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**December 31, 2021**

	Special Revenue Funds						<b>Total Non-major Governmental Funds</b>
	<b>Conservation Trust Fund</b>	<b>Historic Preservation Fund</b>	<b>Insurance Reserve Fund</b>	<b>Lodging Tax Fund</b>	<b>Open Space Fund</b>	<b>Nicotine Tax Fund</b>	
<b>Assets:</b>							
Cash and cash equivalents - Unrestricted	109,663	1,024	212,201	880,541	12,526	553,395	1,769,350
Receivables, net of allowance for uncollectible accounts:							
Other taxes	-	-	-	123,195	-	94,865	218,060
Inventory	-	-	-	10,181	-	-	10,181
<b>Total Assets</b>	<b>109,663</b>	<b>1,024</b>	<b>212,201</b>	<b>1,013,917</b>	<b>12,526</b>	<b>648,260</b>	<b>1,997,591</b>
<b>Liabilities and Fund Equity:</b>							
<b>Liabilities:</b>							
Accounts/vouchers payable	-	-	-	100	-	-	100
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
<b>Fund Balances:</b>							
Non spendable	-	-	-	10,181	-	-	10,181
Restricted	109,663	1,024	-	1,003,636	-	648,260	1,762,583
Committed	-	-	212,201	-	12,526	-	224,727
<b>Total Fund Balances</b>	<b>109,663</b>	<b>1,024</b>	<b>212,201</b>	<b>1,013,817</b>	<b>12,526</b>	<b>648,260</b>	<b>1,997,491</b>
<b>Total Liabilities and Fund Balances</b>	<b>109,663</b>	<b>1,024</b>	<b>212,201</b>	<b>1,013,917</b>	<b>12,526</b>	<b>648,260</b>	<b>1,997,591</b>

**Town of Frisco, Colorado**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended December 31, 2021**

	Special Revenue Funds						<b>Total Non-major Governmental Funds</b>
	<b>Conservation Trust Fund</b>	<b>Historic Preservation Fund</b>	<b>Insurance Reserve Fund</b>	<b>Lodging Tax Fund</b>	<b>Open Space Fund</b>	<b>Nicotine Tax Fund</b>	
<b>Revenues:</b>							
Taxes	-	-	-	701,513	-	622,771	1,324,284
Licenses, permits, and fees	-	-	-	-	-	4,800	4,800
Intergovernmental revenue	38,368	-	-	19,000	-	-	57,368
Investment income	45	1	126	497	7	276	952
Miscellaneous	-	-	-	2,324	-	-	2,324
<b>Total Revenues</b>	<b>38,413</b>	<b>1</b>	<b>126</b>	<b>723,334</b>	<b>7</b>	<b>627,847</b>	<b>1,389,728</b>
<b>Expenditures:</b>							
Community development	-	-	-	294,605	-	-	294,605
Culture and recreation	95	-	-	188,693	-	-	188,788
Health and welfare	-	-	-	-	-	467,600	467,600
<b>Total Expenditures</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>483,298</b>	<b>-</b>	<b>467,600</b>	<b>950,993</b>
<b>Net Change in Fund Balances</b>	<b>38,318</b>	<b>1</b>	<b>126</b>	<b>240,036</b>	<b>7</b>	<b>160,247</b>	<b>438,735</b>
<b>Fund Balances - January 1</b>	<b>71,345</b>	<b>1,023</b>	<b>212,075</b>	<b>773,781</b>	<b>12,519</b>	<b>488,013</b>	<b>1,558,756</b>
<b>Fund Balances - December 31</b>	<b>109,663</b>	<b>1,024</b>	<b>212,201</b>	<b>1,013,817</b>	<b>12,526</b>	<b>648,260</b>	<b>1,997,491</b>

**Town of Frisco, Colorado**  
**Special Revenue Funds - Conservation Trust Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>Revenues:</b>				
Intergovernmental - Lottery proceeds	29,000	29,000	38,368	9,368
Investment income	300	300	45	(255)
<b>Total Revenues</b>	<b>29,300</b>	<b>29,300</b>	<b>38,413</b>	<b>9,113</b>
<b>Expenditures:</b>				
Culture and recreation	38,300	38,300	95	38,205
<b>Total Expenditures</b>	<b>38,300</b>	<b>38,300</b>	<b>95</b>	<b>38,205</b>
<b>Net Change in Fund Balance</b>	<b>(9,000)</b>	<b>(9,000)</b>	<b>38,318</b>	<b>47,318</b>
<b>Fund Balance - January 1</b>	<b>37,877</b>	<b>37,877</b>	<b>71,345</b>	<b>33,468</b>
<b>Fund Balance - December 31</b>	<b>28,877</b>	<b>28,877</b>	<b>109,663</b>	<b>80,786</b>

**Town of Frisco, Colorado**  
**Special Revenue Funds - Historic Preservation Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020
	Original Budget	Final Budget	Actual	Final Budget Variance
				Positive (Negative)
<b>Revenues:</b>				
Investment income	5	5	1	(4) 10
<b>Total Revenues</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>(4) 10</b>
<b>Expenditures:</b>				
Capital Projects	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>(4) 10</b>
<b>Fund Balance - January 1</b>	<b>1,023</b>	<b>1,023</b>	<b>1,023</b>	<b>- 1,013</b>
<b>Fund Balance - December 31</b>	<b>1,028</b>	<b>1,028</b>	<b>1,024</b>	<b>(4) 1,023</b>

**Town of Frisco, Colorado**  
**Special Revenue Funds - Insurance Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	<b>2021</b>			<b>2020</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Investment income	1,000	1,000	126	(874) 2,048
<b>Total Revenues</b>	<b>1,000</b>	<b>1,000</b>	<b>126</b>	<b>(874) 2,048</b>
<b>Expenditures:</b>				
Claims	65,000	65,000	-	65,000 -
<b>Total Expenditures</b>	<b>65,000</b>	<b>65,000</b>	<b>-</b>	<b>65,000 -</b>
<b>Net Change in Fund Balance</b>	<b>(64,000)</b>	<b>(64,000)</b>	<b>126</b>	<b>64,126 2,048</b>
<b>Fund Balance - January 1</b>	<b>212,178</b>	<b>212,178</b>	<b>212,075</b>	<b>(103) 210,027</b>
<b>Fund Balance - December 31</b>	<b>148,178</b>	<b>148,178</b>	<b>212,201</b>	<b>64,023 212,075</b>

**Town of Frisco, Colorado**  
**Special Revenue Funds - Lodging Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020	
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
<b>Revenues:</b>					
Lodging tax	550,000	550,000	701,513	151,513	498,972
Local grants	30,000	30,000	19,000	(11,000)	30,000
Investment income	3,000	3,000	497	(2,503)	6,644
Miscellaneous	3,200	3,200	2,324	(876)	1,946
<b>Total Revenues</b>	<b>586,200</b>	<b>586,200</b>	<b>723,334</b>	<b>137,134</b>	<b>537,562</b>
<b>Expenditures:</b>					
Community development	320,961	345,961	294,605	51,356	139,882
Culture and recreation	223,700	223,700	188,693	35,007	261,776
<b>Total Expenditures</b>	<b>544,661</b>	<b>569,661</b>	<b>483,298</b>	<b>86,363</b>	<b>401,658</b>
<b>Net Change in Fund Balance</b>	<b>41,539</b>	<b>16,539</b>	<b>240,036</b>	<b>223,497</b>	<b>135,904</b>
<b>Fund Balance - January 1</b>	<b>704,509</b>	<b>704,509</b>	<b>773,781</b>	<b>69,272</b>	<b>637,877</b>
<b>Fund Balance - December 31</b>	<b>746,048</b>	<b>721,048</b>	<b>1,013,817</b>	<b>292,769</b>	<b>773,781</b>

**Town of Frisco, Colorado**  
**Special Revenue Funds - Open Space Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>Revenues:</b>				
Investment income	60	60	7	(53)
<b>Total Revenues</b>	<b>60</b>	<b>60</b>	<b>7</b>	<b>(53)</b>
<b>Expenditures:</b>				
Culture and recreation	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>60</b>	<b>60</b>	<b>7</b>	<b>(53)</b>
<b>Fund Balance - January 1</b>	<b>12,528</b>	<b>12,528</b>	<b>12,519</b>	<b>(9)</b>
<b>Fund Balance - December 31</b>	<b>12,588</b>	<b>12,588</b>	<b>12,526</b>	<b>(62)</b>

**Town of Frisco, Colorado**  
**Special Revenue Funds - Nicotine Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<b>Revenues:</b>				
Nicotine tax	480,000	480,000	622,771	142,771
Nicotine licenses	6,600	6,600	4,800	(1,800)
Investment income	4,800	4,800	276	(4,524)
<b>Total Revenues</b>	<b>491,400</b>	<b>491,400</b>	<b>627,847</b>	<b>136,447</b>
<b>Expenditures:</b>				
General government	6,000	6,000	-	6,000
Health and welfare	513,855	513,855	467,600	46,255
<b>Total Expenditures</b>	<b>519,855</b>	<b>519,855</b>	<b>467,600</b>	<b>52,255</b>
<b>Net Change in Fund Balance</b>	<b>(28,455)</b>	<b>(28,455)</b>	<b>160,247</b>	<b>188,702</b>
<b>Fund Balance - January 1</b>	<b>339,888</b>	<b>339,888</b>	<b>488,013</b>	<b>148,125</b>
<b>Fund Balance - December 31</b>	<b>311,433</b>	<b>311,433</b>	<b>648,260</b>	<b>336,827</b>
				<b>488,013</b>

**Town of Frisco, Colorado**  
**Capital Improvement Fund**  
**Schedule of Capital Outlay Expenditures**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for 2020)**

	2021			2020	
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
<b>Capital Outlay:</b>					
Asphalt overlay and resurface road	200,000	250,000	212,942	37,058	208,263
Building relocation costs	-	60,000	20,917	39,083	-
Community survey	-	-	-	-	15,690
Computers and technology	120,000	120,000	136,478	(16,478)	110,397
Consultant - historic preservation	-	25,000	24,430	570	-
Crack fill streets and bike paths	25,000	25,000	825	24,175	274
Curb replacement	40,000	40,000	27,161	12,839	23,881
Electric vehicle charging station	-	-	796	(796)	-
Environmental sustainability	100,000	100,000	4,554	95,446	27,078
Equipment and vehicle leases	37,500	37,500	19,449	18,051	22,490
Facility capital repair	155,000	730,000	38,930	691,070	77,561
Fiber infrastructure	200,000	200,000	148,045	51,955	-
First and Main building	5,000	5,000	2,117	2,883	4,458
Frisco Adventure Park amenity expansion	-	-	-	-	78,914
Historic Park deck stairs	20,000	20,000	3,915	16,085	14,064
Ice rink evaluation	-	50,000	32,236	17,764	-
Lake Hill analysis/support	-	-	24,843	(24,843)	32,885
Main Street Promenade	50,000	80,000	57,475	22,525	-
Playground/site improvement at town parks	200,000	550,000	22,952	527,048	762,462
PRA Plan Implementation	210,000	210,000	215,990	(5,990)	82,899
Public art funding	25,000	25,000	12,264	12,736	10,008
Storm system study	50,000	100,000	16,603	83,397	-
Summit Blvd. masonry work	50,000	200,000	101,907	98,093	21,260
Revitalize Main Street	-	-	-	-	58,439
Town Hall dumpster enclosure	50,000	50,000	-	50,000	-
Town Hall atrium design	15,000	-	-	-	-
Trails enhancement	139,195	139,195	92,193	47,002	100,771
Update planning documents	130,000	130,000	86,106	43,894	2,635
Vehicles and equipment	171,000	481,000	411,906	69,094	227,622
<b>Total Expenditures - Capital Outlay</b>	<b>1,992,695</b>	<b>3,627,695</b>	<b>1,715,034</b>	<b>1,912,661</b>	<b>1,882,051</b>

## APPENDIX B

### CERTAIN DEFINITIONS AND DOCUMENT SUMMARIES

Set forth below are the definitions of some of the terms used in this Official Statement, the Site Lease, the Lease and the Indenture and summaries of certain provisions of the Site Lease, the Lease and the Indenture. These summaries do not purport to be definitive summaries of all provisions of the Site Lease, the Lease or the Indenture; investors must obtain and review each of those documents in order to obtain descriptions of all provisions. Copies of the Site Lease, the Lease and the Indenture may be obtained from the sources listed in "INTRODUCTION--Additional Information."

#### CERTAIN DEFINITIONS

"Additional Certificates" means Additional Certificates which may be executed and delivered pursuant to the Indenture.

"Additional Rentals" means the payment or cost of all:

(a) (i) reasonable expenses, costs, and fees of the Trustee related to the performance or discharge of its responsibilities under the provisions of the Lease, the Site Lease or the Indenture, including the reasonable fees and expenses of any person or firm employed by the Town to make rebate calculations under the provisions of the Indenture and the expenses of the Trustee in respect of any policy of insurance obtained in respect of the Certificates executed and delivered with respect to the Lease, (ii) the cost of insurance premiums and insurance deductible amounts under any insurance policy reasonably deemed necessary by the Trustee to protect the Trustee from any liability under the Lease, approved by the Town Representative, which approval shall not be unreasonably withheld, (iii) reasonable legal fees and expenses incurred by the Trustee to defend the Trust Estate or the Trustee from and against any legal claims, and (iv) reasonable expenses and fees of the Trustee incurred at the request of the Town Representative;

(b) taxes, assessments, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Leased Property and as otherwise required under the Lease;

(c) payments into the Rebate Fund for rebate payments as provided in the Lease; and

(d) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the Town shall fail to pay the same, as specifically set forth in the Lease) which the Town agrees to assume or pay as Additional Rentals under the Lease.

Additional Rentals shall not include Base Rentals.

"Appropriation" means the action of the Council in annually making moneys available for all payments due under the Lease, including the payment of Base Rentals and Additional Rentals.

"Approval of Special Counsel" means an opinion of Special Counsel to the effect that the matter proposed will not adversely affect the excludability from gross income for federal income tax purposes of the Interest Portion of the Base Rentals paid by the Town under the Lease.

"Authorized Denominations" means \$5,000 or integral multiples of \$5,000.

"Base Rentals" means the rental payments payable by the Town during the Lease Term, which constitute payments payable by the Town for and in consideration of the right to possess and use the Leased Property as set forth in Exhibit C (Base Rentals Schedule) of the Lease. Base Rentals does not include Additional Rentals.

“Base Rentals Fund” means the fund created under the Indenture. See “THE INDENTURE--Funds and Accounts” below.

“Base Rentals Payment Dates” means the Base Rentals Payment Dates set forth in Exhibit C (Base Rentals Schedule) to the Lease.

“Beneficial Owners” means any person for which a DTC Participant acquires an interest in Certificates.

“Business Day” means any day, other than a Saturday, Sunday or legal holiday or a day (a) on which banks located in Denver, Colorado are required or authorized by law or executive order to close or (b) on which the Federal Reserve System is closed.

“Cede & Co.” means DTC’s nominee or any new nominee of DTC.

“Certificate of Completion” means the Certificate of Completion in substantially the form attached as Exhibit F to the Lease to be delivered by the Town Representative to the Trustee pursuant to the Lease.

“Certificate Purchase Agreement” means the Certificate Purchase Agreement between the Underwriter and the Trustee relating to the Certificates.

“Certificates” means the “Certificates of Participation, Series 2023, Evidencing Proportionate Interests in the Base Rentals and other Revenues under an annually renewable Lease Purchase Agreement dated as of April 26, 2023, between UMB Bank, N.A., solely in its capacity as trustee under the Indenture, as lessor, and the Town of Frisco, Colorado, as lessee” dated as of their date of delivery, executed and delivered pursuant to the Indenture.

“Charter” means the home rule charter of the Town, and any amendments or supplements thereto.

“Closing” means the date of execution and delivery of the Certificates.

“Completion Date” means the earlier of (a) April 26, 2026, or such later date established by the Town with the Approval of Special Counsel, or (b) any date on which the Certificate of Completion is delivered by the Town Representative to the Trustee pursuant to the Lease.

“Continuing Disclosure Certificate” means the certificate executed by the Town of even date herewith which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

“Construction Fund” means the Construction Fund created under the Indenture. See “THE INDENTURE--Funds and Accounts” below.

“Costs of Execution and Delivery” means all items of expense directly or indirectly payable by the Trustee (under the provisions set forth under Section 3.05 of the Indenture) related to the authorization, execution and delivery of the Site Lease and the Lease and related to the authorization, sale, execution and delivery of the Certificates and to be paid from the Costs of Execution and Delivery Fund, including but not limited to, survey costs, title insurance premiums, closing costs and other costs relating to the leasing of the Leased Property under the Site Lease and the Lease, costs of preparation and reproduction of documents, costs of printing the Certificates and the Preliminary and final Official Statements prepared in connection with the offering of the Certificates, costs of Rating Agencies and costs to provide information required by Rating Agencies for the rating or proposed rating of Certificates, initial fees and charges of the Trustee and Paying Agent, legal fees and charges, including fees and expenses of Bond Counsel, Special (Disclosure) Counsel, and Counsel to the Trustee, fees and disbursements of professionals and the

Underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, premiums for insurance on the Certificates, and any other cost, charge or fee in connection with the original sale and the execution and delivery of the Certificates; provided, however, that Additional Rentals shall not be Costs of Execution and Delivery of the Certificates and are to be paid by the Town as provided in the Lease.

“Costs of Execution and Delivery Fund” means the fund created under the Indenture. See “THE INDENTURE--Funds and Accounts” below.

“Costs of the Project” means all costs and expenses incurred in connection with the Project, including without limitation:

(a) any costs paid or incurred for the acquisition of any real estate acquired as part of the Leased Property;

(b) obligations paid, incurred or assumed for labor, materials, and equipment in connection with the construction, acquisition, installation, equipping and improvement of the Project;

(c) the cost of performance and payment bonds and of insurance of all kinds (including, without limitation, title insurance) that may be necessary or appropriate in connection with the Project;

(d) the costs of engineering, architectural and other professional and technical services including obligations incurred or assumed for preliminary design and development work, test borings, soils tests, surveys, environmental review, estimates and plans and specifications;

(e) administrative costs incurred in connection with the leasing of the Leased Property and the construction of the Project incurred prior to the Completion Date, including supervision of the construction, acquisition, installation and equipping as well as the performance of all of the other duties required by or consequent upon the construction, acquisition, installation and equipping of the Project, including, without limitation, costs of preparing and securing all Project Documents, architectural, engineering and other professional and technical fees, building permit fees, water tap fees, sanitary sewer and wastewater fees, legal fees and expenses, appraisal fees, independent inspection fees, auditing fees and advertising expenses in connection with the Project;

(f) costs incurred in connection with the Certificates, including the initial compensation and expenses of the Trustee, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, the premium for a qualified surety bond, if any, and accounting fees;

(g) all costs which are required to be paid under the terms of any Project Contract;

(h) any costs associated with the leasing of the Site pursuant to the Site Lease;

(i) costs related to the preparation of the Site for construction of the Project, including, but not limited to, the costs of demolition and cleanup of any existing improvements on the Site and costs associated with the provision of sewer, water, gas, electricity and other infrastructure improvements and services to the Site;

(j) payments to a reserve fund to the extent necessary to establish or maintain a reserve requirement, if any;

(k) all other costs which are considered to be a part of the costs of the Project in accordance with generally accepted accounting principles and which will not adversely affect the exclusion

from gross income for federal income tax purposes of the Interest Portion of Base Rentals due under the Lease and attributable to the Certificates, as evidenced by delivery of an Approval of Special Counsel; and

(l) any and all other costs necessary to effect the Trustee's leasing of the Site and the implementation and completion of the Project to the extent the same are permitted by the laws of the State of Colorado and will not adversely affect the excludability from gross income for federal income tax purposes of the Interest Portion of Base Rentals due under the Lease and attributable to the Certificates, as evidenced by delivery of an Approval of Special Counsel.

"County" means Summit County, Colorado.

"Council" means the Town Council of the Town or any successor to its functions.

"Counsel" means an attorney at law or law firm (who may be counsel for the Trustee) who is satisfactory to the Town.

"C.R.S." means Colorado Revised Statutes.

"Depository" means any securities depository as the Trustee may provide and appoint pursuant to Section 2.03 of the Indenture, in accordance with then current guidelines of the Securities and Exchange Commission, which shall act as securities depository for the Certificates.

"DTC" means the Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means any broker-dealer, bank or other financial institution from time to time for which DTC holds Certificates as Depository.

"Electronic Means" or "electronic means" means telecopy, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission.

"Event(s) of Indenture Default" means those defaults specified in Section 7.01 of the Indenture.

"Event(s) of Lease Default" means any event as defined in Section 14.1 of the Lease. See "THE LEASE--Events of Lease Default" below.

"Event of Nonappropriation" means the termination and non-renewal of the Lease by the Town, determined by the Council's failure, for any reason, to appropriate by the last day of each Fiscal Year, (a) sufficient amounts to be used to pay Base Rentals due in the next Fiscal Year and (b) sufficient amounts to pay such Additional Rentals as are estimated to become due in the next Fiscal Year, as provided in Section 6.4 of the Lease. An Event of Nonappropriation may also occur under certain circumstances described in Section 9.3(c) of the Lease (described in "THE LEASE--Damage, Destruction and Condemnation - Insufficiency of Net Proceeds" below). The term also means a notice under the Lease of the Town's intention to not renew and therefore terminate the Lease or an event described in the Lease relating to the exercise by the Town of its right to not appropriate amounts due as Additional Rentals in excess of the amounts for which an Appropriation has been previously effected.

"Extraordinary Mandatory Redemption" means any redemption made pursuant to Section 4.03 of the Indenture.

"Federal Securities" means non-callable bills, certificates of indebtedness, notes or bonds which are direct obligations of, or the principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Finance Director” means the Finance Director of the Town or his or her successor in functions, if any.

“Fiscal Year” means the Town’s fiscal year, which begins on January 1 of each calendar year and ends on December 31 of the same calendar year, or , upon prompt notice to the Trustee, any other twelve-month period which the Town or other appropriate authority hereafter may establish as the Town’s fiscal year.

“Force Majeure” means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America, the State of Colorado or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the Town in its capacity as lessee under the Lease or the Trustee.

“Hazardous Substance” means and includes: (a) the terms “hazardous substance,” “release” and “removal” which, as used in the Lease, shall have the same meaning and definition as set forth in paragraphs (14), (22) and (23), respectively, of Title 42 U.S.C. §9601 and in Colorado law, provided, however, that the term “hazardous substance” as used in the Lease shall also include “hazardous waste” as defined in paragraph (5) of 42 U.S.C. §6903 and “petroleum” as defined in paragraph (8) of 42 U.S.C. §6991; (b) the term “superfund” as used in the Lease means the Comprehensive Environmental Response, Compensation and Liability Act, as amended, being Title 42 U.S.C. §9601 et seq., as amended, and any similar State of Colorado statute or local ordinance applicable to the Leased Property, including, without limitation, Colorado rules and regulations promulgated, administered and enforced by any governmental agency or authority pursuant thereto; and (c) the term “underground storage tank” as used in the Lease shall have the same meaning and definition as set forth in paragraph (1) of 42 U.S.C. §6991.

“Indenture” means the Indenture of Trust, dated as of April 26, 2023, entered into by the Trustee, as the same may be amended or supplemented.

“Initial Term” means the period which commences on the date of delivery of the Lease and terminates on December 31, 2023.

“Interest Payment Date” means, in respect of the Certificates, June 1 and December 1, commencing December 1, 2023.

“Interest Portion” means the portion of each Base Rentals payment that represents the payment of interest set forth in Exhibit C (Base Rentals Schedule) to the Lease.

“Lease” means the Lease Purchase Agreement, dated as of April 26, 2023, between the Trustee, as lessor, and the Town, as lessee, as the same may hereafter be amended.

“Lease Remedy” or “Lease Remedies” means any or all remedial steps provided in the Lease whenever an Event of Lease Default or an Event of Nonappropriation has happened and is continuing, which may be exercised by the Trustee as provided in the Lease and in the Indenture.

“Lease Term” means the Initial Term and any Renewal Terms as to which the Town may exercise its option to renew the Lease by effecting an Appropriation of funds for the payment of Base Rentals and Additional Rentals under the Lease, as provided in and subject to the provisions of the Lease. “Lease Term” refers to the time during which the Town is the lessee of the Leased Property under the Lease.

“Leased Property” means the Site and the premises, buildings and improvements situated thereon, including all fixtures attached thereto, as more particularly described in Exhibit A to the Lease, together

with any and all additions and modifications thereto and replacements thereof, including, without limitation, the easements, rights of way, covenants and other rights set forth in the documents listed on Exhibit B attached thereto, and any New Facility.

“Mayor” means the Mayor of the Town, or his or her successor in duties.

“Net Proceeds” means the proceeds of any performance or payment bond, or proceeds of insurance, including self-insurance, required by the Lease or proceeds from any condemnation award, or any proceeds resulting from default or breaches of warranty under any Project Contract, or proceeds derived from the exercise of any Lease Remedy or otherwise following termination of the Lease by reason of an Event of Nonappropriation or an Event of Lease Default, allocable to the Leased Property, less (a) all related expenses (including, without limitation, attorney’s fees and costs) incurred in the collection of such proceeds or award; and (b) all other related fees, expenses and payments due to the Town and the Trustee.

“New Facility” means any real property, buildings or equipment leased by the Town to the Trustee pursuant to a future amendment to the Site Lease and leased back by the Town from the Trustee pursuant to a future amendment to the Lease in connection with the execution and delivery of Additional Certificates.

“Optional Redemption” means any redemption made pursuant to Section 4.01 of the Indenture and as provided in the form of the Certificates set forth in Exhibit A of the Indenture.

“Optional Redemption Date” means the date of redemption of the Certificates upon Prepayment of Base Rentals or the payment of the Purchase Option Price under the Lease.

“Outstanding” means, with respect to the Certificates, all Certificates executed and delivered pursuant to the Indenture as of the time in question, except:

- (a) All Certificates theretofore canceled or required to be canceled under the Indenture;
- (b) Certificates in substitution for which other Certificates have been executed and delivered under the Indenture;
- (c) Certificates which have been redeemed as provided in the Indenture;
- (d) Certificates for the payment or redemption of which provision has been made in accordance with the Indenture; provided that, if such Certificates are being redeemed, the required notice of redemption has been given or provision satisfactory to the Trustee has been made therefor; and
- (e) Certificates deemed to have been paid pursuant to the Indenture (see “THE INDENTURE--Defeasance and Discharge” below).

“Owners” means the registered owners of any Certificates.

“Paying Agent” means the Trustee or any successor or additional paying agent appointed pursuant to the Indenture.

“Permitted Encumbrances” with respect to the Leased Property, means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease or the Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the Town Representative certifies will not materially interfere with or

materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease or other Project Contracts; (d) any sublease of the Leased Property that are permitted pursuant to the terms and provisions of Section 13.2 of the Lease; and (e) the easements, covenants, restrictions, liens and encumbrances (if any) to which title to the Leased Property was subject when leased to the Trustee pursuant to the Site Lease, as shown on Exhibit B to the Lease and which the Town Representative certifies do not and will not interfere in any material way with the intended use of the Leased Property.

“Permitted Investments” means those investments the Town is authorized to enter into under the Charter and the laws of the State of Colorado.

“Prepayment” means any amount paid by the Town pursuant to the provisions of the Lease as a prepayment of the Base Rentals due under the Lease.

“Principal Portion” means the portion of each Base Rentals payment that represents the payment of principal set forth in Exhibit C (Base Rentals Schedule) to the Lease.

“Project” means, to the extent financed with the proceeds of the Certificates, the construction and equipping of “for rent” workforce housing on the Site.

“Project Contract” means any contract entered into before the Completion Date by the Town regarding the design, acquisition, construction, improvement or installation of any portion of the Project, including, without limitation, the design contracts between the Town and the design consultants, the construction contracts between the Town and the contractors, and any other contracts between the Town and anyone performing work or providing services in connection with the implementation and completion of the Project.

“Project Documents” means the following: (a) plans, drawings and specifications for the Project, when and as they are approved by the Town, including change orders, if any; (b) any necessary permits for the Project, including any building permits and certificates of occupancy; (c) the Project Contracts; (d) policies of title insurance, insurance policies required under the Project Contracts, including general liability, property damage and automobile, worker’s compensation and builders’ risk insurance policies in respect of the general contractor for construction of the Project and, on and after the Completion Date of the Project, insurance policies required under Article 9 of the Lease, including commercial general liability and public liability, property and worker’s compensation insurance policies, or certificates of insurance for any of such policies thereof, as required by the Lease; (e) contractor’s performance and payment bonds with respect to the Project; and (f) any and all other documents executed by or furnished to the Town or the Trustee in connection with the Project.

“Purchase Option Price” means the amount payable on any date, at the option of the Town, to prepay Base Rentals, terminate the Lease Term and purchase the Trustee’s leasehold interest in the Leased Property, as provided in the Lease.

“Rating Agency” or “Rating Agencies” means Moody’s Investors Service or other nationally recognized securities rating agency or agencies as may be directed by the Town in writing to the Trustee.

“Rebate Fund” means the fund created under the Indenture. See “THE INDENTURE--Funds and Accounts” below.

“Regular Record Date” means the close of business on the 15th day of the calendar month immediately preceding the Interest Payment Date (or the Business Day immediately preceding such 15th day, if such 15th day is not a Business Day).

“Renewal Term” means any portion of the Lease Term commencing on January 1 of any calendar year and terminating on or before December 31 of such calendar year as provided in Article 4 of the Lease.

“Requisition” means the process by which the Town Representative will request the reimbursement to the Town or the payment to others of qualifying Costs of the Project, such Requisition to be initiated by the submission to the Trustee of a form substantially as set forth in Exhibit E to the Lease.

“Revenues” means (a) all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds, but not including Additional Rentals; (b) any portion of the proceeds of the Certificates deposited into the Base Rentals Fund or the Construction Fund created under the Indenture; (c) any moneys which may be derived from any insurance in respect of the Certificates; and (d) any moneys and securities, including investment income, held by the Trustee in the Funds established under the Indenture (except for moneys and securities held in the Rebate Fund or any defeasance escrow account).

“Site” means the real property owned by the Town and leased by the Town to the Trustee under the Site Lease and subleased by the Trustee to the Town under the Lease, the legal description of which is set forth in Exhibit A to the Lease.

“Site Lease” means the Site Lease Agreement, dated as of April 26, 2023, between the Town, as lessor, and the Trustee, as lessee, as the same may hereafter be amended.

“Special Counsel” means any counsel experienced in matters of municipal law and listed in the list of municipal bond attorneys, as published semiannually by *The Bond Buyer*, or any successor publication. So long as the Lease Term is in effect, the Town shall have the right to select Special Counsel.

“State” means the State of Colorado.

“Supplement Act” means the Supplemental Public Securities Act, constituting Title II, Article 57 Part 2, C.R.S.

“Tax Certificate” means the Tax Certificate entered into by the Town with respect to the Lease.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated thereunder.

“Town” means the Town of Frisco, Colorado.

“Town Manager” means the Town Manager of the Town or his or her successor in function.

“Town Representative” means the Mayor, the Town Manager or the Finance Director or such other person at the time designated to act on behalf of the Town for the purpose of performing any act under the Lease, the Site Lease or the Indenture by a written certificate furnished to the Trustee containing the specimen signature of such person or persons and signed on behalf of the Town by the Mayor.

“Trust Estate” means all of the property placed in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

“Trustee” means UMB Bank, N.A. , acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

“Underwriter” means Stifel, Nicolaus & Company Incorporated, Denver, Colorado.

## THE SITE LEASE

### **Site Lease and Term**

Under the Site Lease, the Town and the County lease the Leased Property to the Trustee, on the terms and conditions set forth in the Site Lease, subject to Permitted Encumbrances.

The term of the Site Lease shall commence on the date the Site Lease and shall end on December 1, 2052 (the “Site Lease Termination Date”), unless such term is sooner terminated as provided in the Site Lease. If, prior to the Site Lease Termination Date, the Trustee has transferred and conveyed the Trustee’s leasehold interest in all of the Leased Property pursuant to Article 12 of the Lease as a result of the Town’s payment of (a) the applicable Purchase Option Price thereunder; or (b) all Base Rentals and Additional Rentals, all as further provided in the Lease, then the term of the Site Lease shall end in connection with such transfer and conveyance.

The term of any sublease of the Leased Property or any portion thereof, or any assignment of the Trustee’s interest in the Site Lease, the Lease and the Indenture, shall not extend beyond December 3, 2052. At the end of the term of the Site Lease, all right, title and interest of the Trustee, or any sublessee or assignee, in and to the Leased Property, shall terminate. Upon such termination, the Trustee and any sublessee or assignee shall execute and deliver to the Town any necessary documents releasing, assigning, transferring and conveying the Trustee’s, sublessee’s or assignee’s respective interests in the Leased Property.

### **Rental**

The Town acknowledges that the following amount of \$7,181,830.10 constitutes full and adequate consideration for conveyance of the leasehold interest in the Site conveyed to the Trustee pursuant to the Site Lease: (1) there has been deposited to the Construction Fund \$7,000,000 in order to finance the Project, which will be leased, together with the Lease Property, to the Town pursuant to the Lease and (2) there has been deposited to the Costs of Execution and Delivery Fund the amount of \$181,830.10 to pay the Costs of Execution and Delivery. The estimated useful life of the Project exceeds the maximum term of this Site Lease.

### **Purpose**

The Site Lease provides that the Trustee shall use the Leased Property solely for the purpose of leasing the Leased Property back to the Town pursuant to the Lease and for such purposes as may be incidental thereto; provided, that upon the occurrence of an Event of Nonappropriation or an Event of Lease Default and the termination of the Lease, the Town is required to vacate the Leased Property, as provided in the Lease, and the Trustee may exercise the remedies provided in the Site Lease, the Lease and the Indenture.

### **Owner in Fee**

The Town has represented in the Site Lease it is the owner in fee of the Leased Property, subject to Permitted Encumbrances, and that the Permitted Encumbrances do not and shall not interfere in any material way with the Leased Property. The Trustee acknowledges that it is only obtaining a leasehold interest in the Leased Property and pursuant to the Site Lease.

## **Sales, Assignments and Subleases**

Unless an Event of Nonappropriation or an Event of Lease Default shall have occurred and except as may otherwise be provided in the Lease, the Trustee may not sell or assign its rights and interests under the Site Lease or sublet all or any portion of the Leased Property, without the written consent of the Town.

In the event that (a) the Lease is terminated for any reason and (b) the Site Lease is not terminated, the Trustee may sublease the Leased Property or any portion thereof, or sell or assign the Trustee's leasehold interests in the Site Lease, pursuant to the terms of the Lease and the Indenture, and any purchasers from or sublessees or assignees of the Trustee may sell or assign its respective interests in the Leased Property, subject to the terms of the Site Lease, the Lease and the Indenture. The Town and the Trustee (or any purchasers from or assignees or sublessees of the Trustee) agree that, except as permitted by the Site Lease, the Lease and the Indenture and except for Permitted Encumbrances (including purchase options under the Lease), neither the Town, the Trustee, nor any purchasers from or sublessees or assignees of the Trustee will sell, mortgage or encumber the Leased Property or any portion thereof during the term of the Site Lease.

The Trustee and any other person who has the right to use the Leased Property under the Site Lease, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

## **Termination**

The Trustee agrees, upon the termination of the Site Lease, to quit and surrender all of the Leased Property, and agrees that any permanent improvements and structures existing upon the Leased Property at the time of the termination of the Site Lease shall remain thereon.

## **Taxes; Maintenance; Insurance**

During the Lease Term of the Lease and in accordance with the provisions of the Lease, the Town covenants and agrees to pay any and all taxes, assessments or governmental charges due in respect of the Leased Property and all maintenance costs and utility charges in connection with the Leased Property. In the event that (a) the Lease is terminated for any reason, (b) the Site Lease is not terminated, and (c) the Trustee subleases all or any portion of the Leased Property or sells or assigns its interests in the Site Lease, the Trustee, or any purchaser, sublessee or assignee of the Leased Property (including the leasehold interests of the Trustee resulting from the Site Lease) shall pay or cause to be paid when due, all such taxes, assessments or governmental charges and maintain the Leased Property in good condition and working order. Any such payments that are to be made by the Trustee shall be made solely from (a) the proceeds of such sale, subleasing or assignment, (b) from the Trust Estate, or (c) from other moneys furnished to the Trustee under the Indenture, and in the absence of available moneys identified in the preceding clauses (a) through (c), the Trustee shall be under no obligation to pay or cause to be paid when due, all such taxes, assessments or governmental charges and maintain the Leased Property in good condition and working order.

The provisions of the Lease shall govern with respect to the maintenance of insurance under the Site Lease during the Lease Term of the Lease. In the event that (a) the Lease is terminated for any reason, (b) the Site Lease is not terminated, the Trustee, or any sublessee, purchaser or assignee of the Leased Property shall obtain and keep in force, (i) commercial general liability insurance against claims for personal injury, death or damage to property of others occurring on or in the Leased Property in an amount not less than the limitations provided in the Colorado Governmental Immunity Act (Article 10, Title 24, C.R.S., as heretofore or hereafter amended), and (ii) property insurance in an amount not less than the full replacement value of the Leased Property. Any such insurance that is to be obtained by the Trustee shall

be paid for solely from (a) the proceeds of such sale, subleasing or assignment, (b) from the Trust Estate, including without limitation moneys (including any amounts under a Qualified Surety Bond) on deposit in the Reserve Fund, or (c) from other moneys furnished to the Trustee under the Indenture. All such insurance shall name the Trustee, any sublessee, purchaser or assignee and the Town as insured. The Trustee shall be named loss payee. The Town and the Trustee shall waive any rights of subrogation with respect to the Trustee, any sublessee, purchaser or assignee, and the Town, and their members, directors, officers, agents and employees, while acting within the scope of their employment and each such insurance policy shall contain such a waiver of subrogation by the issuer of such policy.

Nothing in the preceding paragraphs or in the Site Lease shall be interpreted or construed to require the Trustee to sublease all or any portion of the Leased Property or sell or assign its interests in the Site Lease, in the event that the Lease is terminated for any reason and the Site Lease is not terminated.

### **Hazardous Substances**

Except for customary materials necessary for operation, cleaning and maintenance of the Leased Property, none of the Town, the Trustee or any sublessee, purchaser or assignee of the Leased Property from the Trustee shall cause or permit any Hazardous Substance to be brought upon, generated at, stored or kept or used in or about the Leased Property without prior written notice to the Town and the Trustee and all Hazardous Substances, including customary materials necessary for construction, operation, cleaning and maintenance of the Leased Property, will be used, kept and stored in a manner that complies with all laws regulating any such Hazardous Substance so brought upon or used or kept on or about the Leased Property, provided unless the Trustee has exercised its right to take possession of the Leased Property after the occurrence and continuance of an Event of Lease Default, the Trustee shall have no responsibility to monitor or investigate whether the Leased Property complies with environmental laws or is subject to any Hazardous Substance. If the presence of Hazardous Substance on the Leased Property caused or permitted by the Town, the Trustee or any sublessee, purchaser or assignee of the Leased Property from the Trustee, as the case may be, results in contamination of the Leased Property, or if contamination of the Leased Property by Hazardous Substance otherwise occurs for which the Town, the Trustee or any sublessee or assignee of the Leased Property, as the case may be, is legally liable for damage resulting therefrom, then the Town, the Trustee or any sublessee, purchaser or assignee of the Leased Property from the Trustee, as the case may be, shall reimburse the other party for its reasonable and necessary legal expenses to defend the parties or assignees of the Site Lease that have not caused or permitted such contamination and are not so legally liable with respect to the Site Lease from claims for damages, penalties, fines, costs, liabilities or losses; provided that the cost of such defense, (a) in the case of the Trustee, shall be payable solely from the Trust Estate, or (b) in the case of the Town, shall be payable only if the cost of such defense has been annually appropriated by the Town. This duty to reimburse legal expenses is not an indemnification. It is expressly understood that none of the Town, the Trustee or any sublessee, purchaser or assignee is indemnifying any other person with respect to the Site Lease. Without limiting the foregoing, if the presence of any Hazardous Substance on the Leased Property caused or permitted by:

(a) the Trustee after the Trustee has exercised its right to take possession of the Leased Property after the occurrence and continuance of an Event of Lease Default, or any sublessee, purchaser or assignee of the Leased Property from the Trustee, as the case may be, results in any contamination of the Leased Property, the Trustee or any sublessee, purchaser or assignee of the Leased Property from the Trustee, as the case may be, shall provide prior written notice to the Town and the Trustee and promptly take all actions, solely at the expense of the Trust Estate as are necessary to effect remediation of the contamination in accordance with legal requirements; or

(b) the Town, results in any contamination of the Leased Property, the Town shall provide prior written notice to the Trustee and promptly take all actions, solely at the expense of the Town, which expenses shall constitute Additional Rentals, as are necessary to effect remediation of the contamination in accordance with legal requirements.

## **Damage, Destruction or Condemnation**

The provisions of the Lease shall govern with respect to any damage, destruction or condemnation of the Leased Property during the Lease Term of the Lease. In the event that (a) the Lease is terminated for any reason and (b) the Site Lease is not terminated, and either (i) the Leased Property or any portion thereof is damaged or destroyed, in whole or in part, by fire or other casualty, or (ii) title to or use of the Leased Property or any part thereof shall be taken under the exercise of the power of eminent domain, the Town and the Trustee, or any sublessee, purchaser or assignee of the Leased Property from the Trustee shall cause the Net Proceeds of any insurance claim or condemnation award to be applied in accordance with the provisions of Article 10 of the Lease.

## **Default**

In the event the Trustee shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Trustee, the Town may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Lease shall be deemed to occur as a result thereof and that so long as any Certificates are Outstanding and unpaid under the Indenture, the Base Rentals due under the Lease shall continue to be paid to the Trustee except as otherwise provided in the Lease. In addition, so long as any of the Certificates are Outstanding, the Site Lease shall not be terminated except as described above under "Site Lease and Term" above.

## **THE LEASE**

### **Lease of the Leased Property**

The Trustee demises and leases the Leased Property to the Town and the Town leases the Leased Property from the Trustee, in accordance with the provisions of the Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

The Town and the Trustee acknowledge that the Town owns the Leased Property and the Town has leased the Leased Property to the Trustee pursuant to the Site Lease; and the Town and the Trustee intend that there be no merger of the Town's interests as sublessee under the Lease and the Town's ownership interest in the Leased Property so as to cause the cancellation of the Site Lease or the Lease, or an impairment of the leasehold and subleasehold interest intended to be created by the Site Lease and the Lease.

### **The Lease Term**

The Lease Term shall commence as of the date of the Lease. The Initial Term shall terminate on December 31, 2023. The Lease may be renewed, solely at the option of the Town, for 19 Renewal Terms, provided, however, that the Lease Term shall terminate no later than December 1, 2042. The Town finds that the maximum Lease Term under the Lease does not exceed the weighted average useful life of the Leased Property. The Town further determines and declares that the period during which the Town has an option to purchase the Trustee's leasehold interest in the Leased Property (i.e. the entire maximum Lease Term) does not exceed the useful life of the Leased Property.

The Town Manager or other officer of the Town at any time charged with the responsibility of formulating budget proposals for the Town is directed in the Lease to include in the annual budget proposals submitted to the Council, in any year in which the Lease shall be in effect, items for all payments required for the ensuing Renewal Term under the Lease until such time, if any, as the Town may determine to not renew and terminate the Lease. Notwithstanding this directive regarding the formulation of budget proposals, it is the intention of the Town that any decision to effect an Appropriation for the Base Rentals

and Additional Rentals shall be made solely by the Council in its absolute discretion and not by any other official of the Town, as further provided in the following paragraph. During the Lease Term, the Town shall in any event, whether or not the Lease is to be renewed, furnish the Trustee with copies of its annual budget promptly after the budget is adopted. The Trustee shall have no duty to examine the Town's annual budget.

Not later than December 15 of the then current Initial Term or any Renewal Term the Town Representative shall give written notice (in substantially the form set forth in Exhibit D attached to the Lease) to the Trustee that either:

- (i) the Town has effected or intends to effect on a timely basis an Appropriation for the ensuing Fiscal Year which includes (1) sufficient amounts authorized and directed to be used to pay all of the Base Rentals and (2) sufficient amounts to pay such Additional Rentals as are estimated to become due, all as further provided in the Lease, whereupon, the Lease shall be renewed for the ensuing Fiscal Year; or
- (ii) the Town has determined, for any reason, not to renew the Lease for the ensuing Fiscal Year.

Subject to the provisions of Section 6.4(a) of the Lease, the failure to give such notice shall not constitute an Event of Lease Default, nor prevent the Town from electing not to renew the Lease, nor result in any liability on the part of the Town. The Town's option to renew or not to renew the Lease shall be conclusively determined by whether or not the applicable Appropriation has been made on or before December 31 of each Fiscal Year, all as further provided in Article 6 of the Lease.

The terms and conditions of the Lease during any Renewal Term shall be the same as the terms and conditions of the Lease during the Initial Term, except that the Purchase Option Price and the Base Rentals shall be as provided in Article 12 and Exhibit C (Base Rentals Schedule) of the Lease.

### **Termination of the Lease Term**

The Lease Term shall terminate upon the earliest of any of the following events:

- (a) the expiration of the Initial Term or any Renewal Term during which there occurs an Event of Nonappropriation pursuant to Section 4.1 and Article 6 of the Lease (provided that the Lease Term will not be deemed to have been terminated if the Event of Nonappropriation is cured as provided in Section 6.4 of the Lease);
- (b) the occurrence of an Event of Nonappropriation under the Lease (provided that the Lease Term will not be deemed to have been terminated if the Event of Nonappropriation is cured as provided in Section 6.4 of the Lease);
- (c) the conveyance of the Trustee's leasehold interest in the Leased Property under the Lease to the Town upon payment of the Purchase Option Price or all Base Rentals and Additional Rentals, for which an Appropriation has been effected by the Town for such purpose, as provided in Section 12.2(a) or (b) of the Lease; or
- (d) an uncured Event of Lease Default and termination of the Lease under Article 14 of the Lease by the Trustee.

Except for an event described in subparagraph (c) above, upon termination of the Lease, the Town agrees to peacefully deliver possession of the Leased Property to the Trustee.

Termination of the Lease Term shall terminate all unaccrued obligations of the Town under the Lease and shall terminate the Town's rights of possession under the Lease (except to the extent of the holdover provisions of Sections 6.5 and 14.2(c)(i) of the Lease, and except for any conveyance pursuant to Article 12 of the Lease). All obligations of the Town accrued prior to such termination shall be continuing until the Trustee gives written notice to the Town that such accrued obligations have been satisfied.

Upon termination of the Lease Term any moneys received by the Trustee in excess of the amounts necessary to terminate and discharge the Indenture, shall be paid to the Town.

The Town shall not have the right to terminate the Lease due to a default by the Trustee under the Lease.

### **Payments to Constitute Currently Budgeted Expenditures of the Town**

The Town and the Trustee acknowledge and agree that the Base Rentals, Additional Rentals and any other obligations under the Lease shall constitute currently budgeted expenditures of the Town, if an Appropriation has been effected for such purpose. The Town's obligations to pay Base Rentals, Additional Rentals and any other obligations under the Lease shall be from year to year only (as further provided in Article 4 and Sections 6.2 and 6.4 of the Lease), shall not constitute a mandatory charge or requirement in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease shall be construed or interpreted as a delegation of governmental powers or as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Town or a general obligation or other indebtedness of the Town within the meaning of any constitutional, Charter provision or statutory debt limitation, including without limitation Article X, Section 20 of the Colorado Constitution. No provision of the Lease shall be construed or interpreted as creating an unlawful delegation of governmental powers nor as a donation by or a lending of the credit of the Town within the meaning of Sections 1 or 2 of Article XI of the Constitution of the State. Neither the Lease nor the Certificates shall directly or indirectly obligate the Town to make any payments beyond those for which an Appropriation has been effected by the Town for the Town's then current Fiscal Year. The Town shall be under no obligation whatsoever to exercise its option to purchase the Trustee's leasehold interest in the Leased Property. No provision of the Lease shall be construed to pledge or to create a lien on any class or source of Town moneys, nor shall any provision of the Lease restrict the future issuance of any Town bonds or obligations payable from any class or source of Town moneys (provided, however, that certain restrictions in the Indenture shall apply to the issuance of Additional Certificates).

### **Base Rentals, Purchase Option Price and Additional Rental**

(a) The Town shall pay Base Rentals for which an Appropriation has been effected by the Town, directly to the Trustee during the Initial Term and any Renewal Term, on the Base Rentals Payment Dates and in the "Total Base Rentals" amounts set forth in Exhibit C (Base Rentals Schedule) attached to the Lease and made a part of the Lease. For federal and State income tax purposes, a portion of each payment of Base Rentals for the Certificates is designated and will be paid as interest, and Exhibit C (Base Rentals Schedule) to the Lease sets forth the Interest Portion of each payment of Base Rentals for the Certificates. The Town shall receive credit against its obligation to pay Base Rentals to the extent moneys are held by the Trustee on deposit in the Base Rentals Fund created under the Indenture and are available to pay Base Rentals. The Town acknowledges that upon receipt by the Trustee of each payment of Base Rentals, the Trustee, pursuant to the terms of the Indenture, is to deposit the amount of such Base Rentals in the Base Rentals Fund.

The Base Rentals set forth in Exhibit C to the Lease shall be recalculated in the event of the execution and delivery of Additional Certificates as provided in the Indenture and shall also be recalculated in the event of a partial redemption of the Certificates. The Trustee may conclusively rely upon such revised

Exhibit C (Base Rentals Schedule) and has no duty to make an independent investigation in connection therewith.

(b) The Town may, on any date, pay the then applicable Purchase Option Price for the purpose of terminating the Lease and the Site Lease in whole and purchasing the Trustee's leasehold interest in the Leased Property as further provided in Article 12 of the Lease. Subject to the Approval of Special Counsel, the Town may also, at any time during the Lease Term, (1) prepay any portion of the Base Rentals due under the Lease and (2) in connection with such prepayment, recalculate the Base Rentals set forth in Exhibit C (Base Rentals Schedule). Any such revised Exhibit C (Base Rentals Schedule) shall be prepared by the Town Representative and delivered to the Trustee. The Trustee may rely upon such revised Exhibit C (Base Rentals Schedule) and has no duty to make an independent investigation in connection therewith. The Town shall give the Trustee notice of its intention to exercise either of such options not less than forty-five (45) days in advance of the date of exercise and shall deposit with the Trustee by not later than the Business Day preceding the date of exercise an amount equal to the Purchase Option Price due on the date of exercise or the applicable amount of Base Rentals to be prepaid. If the Town shall have given notice to the Trustee of its intention to prepay Base Rentals but shall not have deposited the amounts with the Trustee on the date specified in such notice, the Town shall continue to pay Base Rentals which have been specifically appropriated by the Council for such purpose as if no such notice had been given. The Trustee may waive the right to receive forty-five (45) days advance notice and may agree to a shorter notice period in the sole determination of the Trustee.

(c) All Additional Rentals shall be paid by the Town on a timely basis directly to the person or entity to which such Additional Rentals are owed. Additional Rentals shall include, without limitation, the reasonable fees and expenses of the Trustee, reasonable expenses of the Trustee in connection with the Leased Property and for the cost of taxes, insurance premiums, utility charges, maintenance and repair costs and all other expenses expressly required to be paid under the Lease, and any other amounts due to the insurer of any of the Certificates, and any Rebate Fund payments required pursuant to the Lease and the Indenture. All of the payments required by this paragraph are subject to Appropriation by the Town; provided, however, a failure by the Town to budget and appropriate moneys for any of the payments required by this paragraph shall constitute an Event of Nonappropriation.

If the Town's estimates of Additional Rentals for any Fiscal Year are not itemized in the budget required to be furnished to the Trustee under Section 4.1 of the Lease, the Town shall furnish an itemization of such estimated Additional Rentals to the Trustee on or before the 15th day preceding such Fiscal Year.

### **Nonappropriation**

In the event that the Town gives notice that it intends to not renew the Lease as provided by Section 4.1 of the Lease or the Town shall not effect an Appropriation, on or before December 31 of each Fiscal Year, of moneys to pay all Base Rentals and reasonably estimated Additional Rentals coming due for the next ensuing Renewal Term as provided in Section 4.1 of the Lease and this Article, or in the event that the Town is proceeding under the provisions of Section 10.3(c) of the Lease (when applicable), an Event of Nonappropriation shall be deemed to have occurred; subject, however, to each of the following provisions:

(a) In the event the Trustee does not receive the written notice provided for by Section 4.1 of the Lease or evidence that an Appropriation has been effected by the Town on or before December 31 of a Fiscal Year, then the Trustee shall declare an Event of Nonappropriation on the first Business Day of the February following such Fiscal Year or such declaration shall be made on any earlier date on which the Trustee receives official, specific written notice from the Town that the Lease will not be renewed; provided that the Trustee's failure to declare an Event of Nonappropriation on such date shall not be construed as a waiver of the event of Nonappropriation or the consequences of an Event of Nonappropriation under the Lease. In order to declare an Event of Nonappropriation, the Trustee shall send written notice thereof to the Town.

(b) The Trustee shall waive any Event of Nonappropriation which is cured by the Town, within 30 days of the receipt by the Town of notice from the Trustee as provided in (a) above, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term.

(c) Pursuant to the terms of the Indenture, the Trustee may waive any Event of Nonappropriation which is cured by the Town within a reasonable time with the procedure described in (b) above.

In the event that during the Initial Term or any Renewal Term, any Additional Rentals shall become due which were not included in a duly effected Appropriation and moneys are not specifically budgeted and appropriated or otherwise made available to pay such Additional Rentals within 60 days subsequent to the date upon which such Additional Rentals are due, an Event of Nonappropriation shall be deemed to have occurred, upon notice by the Trustee to the Town to such effect (subject to waiver by the Trustee as provided in the Lease).

If an Event of Nonappropriation occurs, the Town shall not be obligated to make payment of the Base Rentals or Additional Rentals or any other payments provided for in the Lease which accrue after the last day of the Initial Term or any Renewal Term during which such Event of Nonappropriation occurs; provided, however, that, subject to the limitations of Sections 6.1 and 14.3 of the Lease, the Town shall continue to be liable for Base Rentals and Additional Rentals allocable to any period during which the Town shall continue to occupy, use or retain possession of the Leased Property.

Subject to Section 6.5 of the Lease, the Town shall in all events vacate or surrender possession of the Leased Property by March 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred.

After March 1 of the Renewal Term in respect of which an Event of Nonappropriation has occurred, the Trustee may proceed to exercise all or any Lease Remedies.

The Town acknowledges that, upon the occurrence of an Event of Nonappropriation (a) the Trustee shall be entitled to all moneys then being held in all funds created under the Indenture (except the Rebate Fund, and any defeasance escrow accounts) to be used as described therein and (b) all property, funds and rights then held or acquired by the Trustee upon the termination of the Lease by reason of an Event of Nonappropriation are to be held by the Trustee in accordance with the terms of the Indenture.

### **Holdover Tenant**

If the Town fails to vacate the Leased Property after termination of the Lease, whether as a result of the occurrence of an Event of Nonappropriation or an Event of Lease Default as provided in Section 14.2(a) of the Lease, with the written permission of the Trustee it will be deemed to be a holdover tenant on a month-to-month basis and will be bound by all of the other terms, covenants and agreements of the Lease. Any holding over by the Town without the written permission of the Trustee shall be at sufferance. The amount of rent to be paid monthly during any period when the Town is deemed to be a holdover tenant will be equal to (a) one-sixth of the Interest Portion of the Base Rentals coming due on the next succeeding Base Rentals Payment Date plus one-twelfth of the Principal Portion of the Base Rentals coming due on the next succeeding Base Rentals Payment Date on which a Principal Portion of the Base Rentals would have been payable with appropriate adjustments to ensure the full payment of such amounts on the due dates thereof in the event termination occurs during a Renewal Term plus (b) Additional Rentals as the same shall become due.

## **Title to the Leased Property**

At all times during the Lease Term, title to the Site shall remain in the Town, subject to the Site Lease, the Lease, the Indenture and any other Permitted Encumbrances. Except personal property purchased by the Town at its own expense pursuant to Section 9.2 of the Lease and personal property purchased by the Town, the Project, and any and all additions and modifications to or replacements of any portion of the Project shall be held in the name of the Trustee, subject to the Lease and Permitted Encumbrances, until foreclosed on or conveyed as provided in Section 7.02 of the Indenture or Article 7 of the Lease, or until the termination of the Site Lease, notwithstanding (i) the occurrence of an Event of Nonappropriation as provided in Section 6.4 of the Lease or one or more Events of Default as defined in Section 14.1 of the Lease; (ii) the occurrence of any event of damage, destruction, condemnation or construction defect or title defect, as provided in Article 10 of the Lease; (iii) termination of the right of the Town to direct the acquisition, construction and equipping of the Project pursuant to the last sentence of Section 7.1 of the Lease; or (iv) the violation by the Trustee (or by the Trustee as assignee of the Lessor pursuant to the Indenture) of any provision of the Lease.

The Town shall have no right, title or interest in the Project, or any additions and modifications to or replacements of any portion thereto, except as expressly set forth in the Lease.

## **No Encumbrance, Mortgage or Pledge of the Leased Property**

Except as may be permitted by the Lease, the Town shall not permit any mechanic's or other lien to be established or remain against the Leased Property; provided that, if the Town shall first notify the Trustee of the intention of the Town to do so, the Town may in good faith contest any mechanic's or other lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Town that, in the opinion of Counsel, by nonpayment of any such items the Trustee's leasehold interest in the Leased Property will be materially endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Town shall promptly pay and cause to be satisfied and discharged all such unpaid items (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such items). The Trustee will cooperate in any such contest. Except as may be permitted by the Lease, the Town shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, except Permitted Encumbrances. The Town shall promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above.

## **Leasing of the Site; Design, Acquisition, Construction and Improvement of the Project**

As further provided in Section 8.1 of the Lease, fee simple title to the Site shall be held by the Town. Pursuant to the Site Lease, the Town and the County shall lease the Site to the Trustee and pursuant to the Lease, the Town shall lease the Leased Property back from the Trustee.

The Town agrees that it will make all contracts, orders, receipts, writings and instructions, including all Project Contracts, with any other persons, firms or corporations and in general do all things that may be necessary, requisite or proper for the acquisition, construction, installation and completion of the Project. The Town agrees to comply with all applicable federal, State of Colorado and local law in connection with the making of contracts for the Project. The administration of the Project is to comply with all policies and procedures and all standard contractual and procedural documents required by the Town, except that pursuant to Section 7.5 upon termination of the Lease due to the occurrence of an Event of Nonappropriation or an Event of Lease Default, all Project Contracts shall be fully and freely assignable to the Trustee. Notwithstanding anything to the contrary contained in the Lease or the Indenture, all Project Documents shall be made and approved by the Town. The Town further agrees in the Lease:

(a) The Town shall cause the Project to be completed as provided in the Lease; and

(b) The Town agrees to complete the Project with all reasonable dispatch, and to use its best efforts to have all of the Project completed by the Completion Date or as soon thereafter as may be practicable.

So long as the Lease is in full force and effect and no Event of Nonappropriation or Event of Lease Default shall have occurred, the Town shall have full power to carry out the acts and agreements described above, and such power shall not be terminated or restricted by act of the Trustee, except as described above.

The Town agrees to implement and complete the Project pursuant to the Lease, through the application of moneys to be disbursed by the Trustee from the Construction Fund (created under the Indenture) pursuant to the Indenture. If, for any reason, the Project is not completed by the Completion Date, there shall be no resulting liability on the part of the Town or the Trustee or an Event of Lease Default under the Lease, and there shall be no diminution in, or postponement of the Base Rentals and Additional Rentals required to be paid by the Town and for which an Appropriation has been effected by the Town during the Lease Term. However, in the event that the Trustee does not receive a Certificate of Completion in respect of the Project, as required in Section 7.3 of the Lease, by the Completion Date, and unless the Town opts to complete the Project and submits a reasonable schedule of completion to the Trustee, the Trustee shall, upon thirty (30) days written notice to the Town, be authorized, but not required, to complete the remainder of the Project from any moneys remaining in the Construction Fund for the Project.

### **Disbursements for Costs of the Project**

So long as no Event of Nonappropriation or Event of Lease Default has occurred, the Trustee shall disburse the moneys in the Construction Fund created under the Indenture to pay the Costs of the Project. Such disbursements from the Construction Fund shall be made upon receipt by the Trustee of a Requisition signed by the Town Representative, in substantially the form set forth in Exhibit E to the Lease, specifying in reasonable detail the nature of the obligation. The Trustee shall have no duty to review or examine the accompanying bill, invoice or statement of account, but may conclusively rely on the properly executed disbursement request.

If an Event of Nonappropriation or an Event of Lease Default shall occur after the execution and delivery of the Lease, but prior to the Completion Date, any moneys held in funds and accounts created under the Indenture (other than moneys on deposit in the Rebate Fund and any defeasance escrow funds) may be utilized by the Trustee to complete, repair or modify the Project, or may be disbursed for the payment of Certificates executed and delivered pursuant to the Indenture or other charges as the Trustee may deem appropriate in accordance with the standards concerning the Trustee contained in the Indenture, subject to Section 11.5 of the Lease.

Under the Indenture, the Trustee is authorized and directed to issue its checks or drafts or transmit wire payments for each disbursement to pay Costs of the Project provided for in the Lease. The Town consents to such disbursements by the Trustee. The Trustee shall keep and maintain adequate records pertaining to the Construction Fund established under the Indenture and all disbursements therefrom in accordance with the Requisitions. After the Project has been completed and the Certificate of Completion has been filed with the Trustee as provided in Section 7.3 of the Lease, and after any amounts remaining on deposit in the Construction Fund have been applied in accordance with Section 7.3 of the Lease, the Trustee shall provide account statements to the Town.

### **Completion of Construction**

Upon the substantial completion of the Project, the Town Representative shall execute and deliver to the Trustee a Certificate of Completion in substantially the form of Exhibit F to the Lease.

In the event that, after the delivery of the Certificate of Completion, there remains in the Construction Fund created under the Indenture any unreserved balance, such balance shall be used by the Trustee, as directed in writing by the Town, to: (a) add to, modify or alter the Project or add new components thereto provided that such addition, modification or alteration shall be consistent with, and shall not violate the covenants contained in, the Tax Certificate or in Section 11.5 of the Lease, or (b) direct the Trustee in writing to transfer the remaining balance to the Base Rentals Fund created under the Indenture in amounts consistent with, and not in violation of the covenants contained in, the Tax Certificate, for a credit against the Base Rentals as the same shall become due, or (c) effect a combination of the foregoing.

## **Project Contracts**

The Town represents in the Lease that, in the opinion of the Town, based upon an examination of property, estimated design, construction, acquisition and installation costs and the configuration of the Project, the Project can, to the best of the Town's present knowledge, be constructed, acquired and installed for a total cost within the amount of funds to be available in the Construction Fund created under the Indenture, including anticipated investment income. In the event of cost overruns resulting in the Costs of the Project exceeding the amount available in the Construction Fund created under the Indenture, all in connection with the leasing of the Site and the implementation and completion of the Project, upon written consent of the Town, either (a) the Town shall make such modifications to the plans and specifications for the Project as will permit the Project to be provided from the amounts available therefor under the Indenture or (b) upon the Approval of Special Counsel, the Town shall deposit additional funds received from appropriations by the Town, or the Trustee may deposit additional funds received from the proceeds of Additional Certificates in the Construction Fund created under the Indenture, sufficient to complete the Project. If the Town pays any portion of the Costs of the Project, it shall not be entitled to any reimbursement therefor from the Trustee or any owner of Certificates, nor shall it be entitled to any diminution in or postponement of the Base Rentals and the Additional Rentals payable under the Lease.

Upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Trustee as lessee of the Leased Property under the Site Lease, may complete the Project, utilizing any moneys available therefor (except for any moneys on deposit in the Rebate Fund and any defeasance escrow funds). All Project Contracts shall provide that, upon a termination of the Lease Term by reason of the occurrence of an Event of Nonappropriation or an Event of Lease Default or upon the Trustee's assuming control over completion of the Project as provided in Section 7.1 of the Lease, and upon written notice by the Trustee to the party or parties to the Project Contracts that any of such events has occurred: (a) such contracts shall be fully and freely assignable to the Trustee, without the consent of any other person and the Trustee may choose to assume or not assume such contracts; and (b) if the Trustee does so assume such contracts, the other party or parties thereto shall perform the agreements contained therein for the Trustee. All Project Contracts shall also provide that, upon an Event of Nonappropriation or an Event of Lease Default and upon written notice from the Trustee, the Trustee may, in its sole discretion, terminate some or all of such Project Contracts; and the other party or parties thereto shall then be entitled to payment only from amounts available therefor under the Indenture and only for work done prior to such termination. Upon the occurrence of an Event of Nonappropriation or an Event of Lease Default or upon the Trustee's assuming control over the implementation and completion of the Project as provided in Section 7.1 of the Lease, and upon receipt of a written request from the Trustee, the Town shall assign all of its right, title and interest in and to any or all Project Contracts to the Trustee and shall deliver all such Project Documents held by it to the Trustee.

## **Defaults Under Project Contracts**

In the event of any material default by a design consultant or construction contractor under any of the Project Contracts, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the Town shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies against such design consultant or contractor and/or against each

surety of any bond securing the performance of such Project Contracts. The Net Proceeds of any amounts recovered by way of damages, liquidated damages, refunds, adjustments, or otherwise in connection with the foregoing, remaining after deduction of expenses incurred in such recovery (including without limitation, attorneys' fees and costs) shall be paid to the Trustee for deposit to the Construction Fund created under the Indenture if prior to the Completion Date, or if after the Completion Date, to the Trustee for deposit in a separate trust fund in accordance with Section 10.2 of the Lease.

### **Maintenance of the Leased Property by the Town**

Subject to its right to not appropriate and as otherwise provided in Section 9.3 of the Lease, the Town agrees that at all times during the Lease Term, the Town will maintain, preserve and keep the Leased Property or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, and from time to time make or cause to be made all necessary and proper repairs, including replacements, if necessary. The Trustee shall have no responsibility in any of these matters or for the making of any additions, modifications or replacements to the Leased Property.

### **Modification of the Leased Properly; Installation of Furnishings and Machinery of the Town**

The Town shall have the privilege of making substitutions, additions, modifications and improvements to the Leased Property, at its own cost and expense, as appropriate and any such substitutions, additions, modifications and improvements to the Leased Property shall be the property of the Town, subject to the Site Lease, the Lease and the Indenture and shall be included under the terms of the Site Lease, the Lease and the Indenture; provided, however, that such substitutions, additions, modifications and improvements shall not in any way damage the Leased Property or cause the Leased Property to be used for purposes other than lawful governmental functions of the Town (except to the extent of subleasing permitted under Section 13.2 of the Lease) or cause the Town to violate its tax covenant in Section 11.5 of the Lease; and provided that the Leased Property, as improved or altered, upon completion of such substitutions, additions, modifications and improvements, shall be of a value not less than the value of the Leased Property immediately prior to such making of substitutions, additions, modifications and improvements.

The Town may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Leased Property. All such machinery, equipment and other tangible property shall remain the sole property of the Town in which the Trustee shall have no interests; provided, however, that title to any such machinery, equipment and other tangible property which becomes permanently affixed to the Leased Property shall be included under the terms of the Site Lease, the Lease and the Indenture, in the event that such Leased Property would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

The Town shall have the right to make substitutions to the Leased Property upon compliance with the provisions set forth in Section 11.4 of the Lease.

### **Taxes, Other Governmental Charges and Utility Charges**

In the event that the Leased Property shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body, the Town shall pay the amount of all such taxes, assessments and governmental charges then due, as Additional Rentals. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the Town shall be obligated to provide for Additional Rentals only for such installments as are required to be paid during the upcoming Fiscal Year. Except for Permitted Encumbrances, the Town shall not allow any liens for taxes, assessments or governmental charges to exist with respect to the Leased Property (including, without limitation, any taxes levied upon the Leased Property which, if not paid, will become a charge on the rentals and receipts from the Leased Property, or any interest therein, including the

leasehold interests of the Trustee), or the rentals and revenues derived therefrom or under the Lease. The Town shall also pay as Additional Rentals, as the same respectively become due, all utility and other charges and fees and other expenses incurred in the operation, maintenance and upkeep of the Leased Property.

The Town may, at its expense, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the Town that, in the opinion of Counsel, by nonpayment of any such items the value of the Leased Property will be materially endangered or the Leased Property will be subject to loss or forfeiture, or the Trustee will be subject to liability, in which event such taxes, assessments, utility or other charges shall be paid forthwith (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such taxes, assessments, utility or other charges).

### **Provisions for Liability and Property Insurance**

Upon completion of the Project, the Town shall, at its own expense, cause casualty and property insurance to be carried and maintained with respect to the Leased Property in an amount equal to the estimated replacement cost of the Leased Property. Such insurance policy or policies may have a deductible clause in an amount deemed reasonable by the Council. The Town may, in its discretion, insure the Leased Property under blanket insurance policies which insure not only the Leased Property, but other buildings as well, as long as such blanket insurance policies comply with the requirements of the Lease. If the Town shall insure against similar risks by self-insurance, the Town may, at its election provide for casualty and property damage insurance with respect to the Leased Property, partially or wholly by means of a self-insurance fund. If the Town shall elect to self-insure, the Town Representative shall annually furnish to the Trustee a certification of the adequacy of the Town's reserves. The Trustee shall be named additional insured and loss payee on any casualty and property insurance.

Upon completion of the Project, the Town shall, at its own expense, cause public liability insurance to be carried and maintained with respect to the activities to be undertaken by and on behalf of the Town in connection with the use of the Leased Property, in an amount not less than the limitations provided in the Colorado Governmental Immunity Act (Article 10, Title 24, C.R.S., as heretofore or hereafter amended). Such insurance may contain deductibles and exclusions deemed reasonable by the Council. The required public liability insurance may be by blanket insurance policy or policies. If the Town shall insure against similar risks by self-insurance, the Town, at its election may provide for public liability insurance with respect to the Leased Property, partially or wholly by means of a self-insurance fund. If the Town shall elect to self-insure, the Town Representative shall annually furnish to the Trustee a certification of the adequacy of the Town's reserves. The Trustee shall be named as additional insured and loss payee on any public liability insurance.

Any required casualty and property damage insurance policy shall be so written or endorsed as to make payments under such insurance policy payable to the Town and the Trustee. Each insurance policy provided for shall contain a provision to the effect that the insurance company shall not cancel the policy without first giving written notice thereof to the Town at least 30 days in advance of such cancellation. All insurance policies issued pursuant to the Lease, or certificates evidencing such policies, shall be deposited with the Trustee. No agent or employee of the Town shall have the power to adjust or settle any loss with respect to the Leased Property in excess of \$25,000, whether or not covered by insurance, without the prior written consent of the Trustee.

Upon completion of the Project, the Town shall provide the Trustee with evidence that the insurance required pursuant to the Lease is in effect. A certification by the Town Representative that such insurance is in effect shall be sufficient evidence of insurance. A certificate of insurance from the Town or the Town's insurance agent will also be acceptable evidence of insurance. On or about October 1 in each

year the Town shall provide annual certification that the insurance required pursuant to the Lease is in effect.

### **Granting of Easements**

As long as no Event of Nonappropriation or Event of Lease Default shall have happened and be continuing, the Trustee, shall upon the request of the Town, (a) grant or enter into easements, permits, licenses, party wall and other agreements, rights-of-way (including the dedication of public roads) and other rights or privileges in the nature of easements, permits, licenses, party wall and other agreements and rights of way with respect to any property or rights included in the Lease (whether such rights are in the nature of surface rights, sub-surface rights or air space rights), free from the Lease and any security interest or other encumbrance created under the Lease or thereunder; (b) release existing easements, permits, licenses, party wall and other agreements, rights-of-way, and other rights and privileges with respect to such property or rights, with or without consideration; and (c) execute and deliver any instrument necessary or appropriate to grant, enter into or release any such easement, permit, license, party wall or other agreement, right-of-way or other grant or privilege upon receipt of: (i) a copy of the instrument of grant, agreement or release and (ii) a written application signed by the Town Representative requesting such grant, agreement or release and stating that such grant, agreement or release will not materially impair the effective use or materially interfere with the operation of the Leased Property, and will not materially adversely affect the security intended to be given by or under the Indenture, the Site Lease or the Lease.

### **Damage, Destruction and Condemnation**

If, during the Lease Term, (a) the Leased Property shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (b) title to, or the temporary or permanent use of, the Leased Property or the estate of the Town or the Trustee in the Leased Property is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or entity acting under governmental authority; or (c) a breach of warranty or a material defect in the construction, manufacture or design of the Leased Property becomes apparent; or (d) title to or the use of all or a portion of the Leased Property is lost by reason of a defect in title thereto, then the Town shall be obligated to continue to pay Base Rentals and Additional Rentals (subject to Article 6 of the Lease).

### **Obligation to Repair and Replace the Leased Property**

The Town and the Trustee, to the extent Net Proceeds are within their respective control, shall cause such Net Proceeds of any insurance policies, performance bonds or condemnation awards received prior to the Completion Date to be deposited to the Construction Fund and after the Completion Date in a separate trust fund. All Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property by the Town, upon receipt of requisitions by the Trustee signed by the Town Representative stating with respect to each payment to be made:

- (a) the requisition number;
- (b) the name and address of the person, firm or entity to whom payment is due;
- (c) the amount to be paid; and
- (d) that each obligation mentioned therein has been properly incurred, is a proper charge against the separate trust fund and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation.

The Trustee shall have no duty to review or examine the accompanying bill, invoice or statement of account, but may conclusively rely on the properly executed disbursement request. The Town and the Trustee shall agree to cooperate and use their best reasonable efforts subject to the terms of the Indenture to enforce claims which may arise in connection with material defects in the construction, manufacture or design of the Leased Property or otherwise. If there is a balance of any Net Proceeds allocable to the Leased Property remaining after such repair, restoration, modification, improvement or replacement has been completed, this balance shall be used by the Town, to:

- (a) add to, modify or alter the Leased Property or add new components thereto, or
- (b) prepay the Base Rentals with a corresponding adjustment in the amount of Base Rentals payable under Exhibit C (Base Rentals Schedule) to the Lease or
- (c) accomplish a combination of (a) and (b).

Any repair, restoration, modification, improvement or replacement of the Leased Property paid for in whole or in part out of Net Proceeds allocable to the Leased Property shall be the property of the Town, subject to the Site Lease, the Lease and the Indenture and shall be included as part of the Leased Property under the Lease.

### **Insufficiency of Net Proceeds**

If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Leased Property required under Section 10.2 of the Lease, the Town may elect to:

- (a) complete the work or replace such Leased Property (or portion thereof) with similar property of a value equal to or in excess of such portion of the Leased Property and pay as Additional Rentals, to the extent amounts for Additional Rentals which have been specifically appropriated by the Town are available for payment of such cost, any cost in excess of the amount of the Net Proceeds allocable to the Leased Property, and the Town agrees that, if by reason of any such insufficiency of the Net Proceeds allocable to the Leased Property, the Town shall make any payments pursuant to the provisions of this paragraph, the Town shall not be entitled to any reimbursement therefor from the Trustee, nor shall the Town be entitled to any diminution of the Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, payable under Article 6 of the Lease; or
- (b) apply the Net Proceeds allocable to the Leased Property to the payment of the Purchase Option Price in accordance with Article 12 of the Lease, or an appropriate portion thereof. In the event of an insufficiency of the Net Proceeds for such purpose, the Town shall, subject to the limitations of Section 6.1 of the Lease, pay such amounts as may be necessary to equal that portion of the Purchase Option Price which is attributable to the Leased Property for which Net Proceeds have been received (as certified to the Trustee by the Town); and in the event the Net Proceeds shall exceed such portion of the Purchase Option Price, such excess shall be used as directed by the Town in the same manner as set forth in Section 10.2 of the Lease; or
- (c) if the Town does not timely budget and appropriate sufficient funds to proceed under either (a) or (b) above, an Event of Nonappropriation will be deemed to have occurred and, subject to the Town's right to cure, the Trustee may pursue remedies available to it following an Event of Nonappropriation.

The above referenced election shall be made by the Town within 90 days of the occurrence of an event specified in Section 10.1 of the Lease. It is declared in the Lease to be the Town's present intention that, if an event described in Section 10.1 of the Lease should occur and if the Net Proceeds shall be insufficient to pay in full the cost of repair, restoration, modification, improvement or replacement of the

Leased Property, the Town would use its best efforts to proceed under either paragraph (a) or paragraph (b) above; but it is also acknowledged that the Town must operate within budgetary and other economic constraints applicable to it at the time, which cannot be predicted with certainty; and accordingly the foregoing declaration shall not be construed to contractually obligate or otherwise bind the Town.

### **Release and Substitution of Leased Property**

So long as no Event of Lease Default or Event of Nonappropriation shall have occurred and be continuing, the Town shall prepare and the Trustee shall release all or any portion of the Leased Property, and shall execute all documents necessary or appropriate to reconvey or release such portion of the Leased Property to the Town, free of all restrictions and encumbrances imposed or created by the Site Lease, the Lease or the Indenture, upon receipt by the Trustee of the following: (a) a written request of the Town Representative for such release, describing the portion of the Leased Property to be released; (b) a certificate of the Town Representative certifying (i) the fair market value of the portion of the Leased Property to be released and of any real property to be substituted for the portion of the Leased Property to be released; (ii) that the disposition of the portion of the Leased Property to be released and the substitution therefor of the real property to be substituted for the portion of the Leased Property to be released (if any) will not materially adversely affect the ability of the Town to operate the Leased Property or to fulfill its obligations under the Lease; (iii) that any real property to be substituted for a portion of the Leased Property to be released is necessary or useful to the operation of the Leased Property; and (iv) that the fair market value of any real property to be substituted for the portion of the Leased Property to be released, together with cash to be paid by the Town to the Trustee, if any, is at least equal to the fair market value of the portion of the Leased Property to be released; (c) appraisals of the fair market value of the portion of the Leased Property to be released and any real property to be substituted for the portion of the Leased Property to be released, respectively, by a member of the American Institute of Real Estate Appraisers (MAI); and (d) supplements and amendments to the Site Lease, the Lease and the Indenture and any other documents necessary to effect the substitution for any portion of the Leased Property to be released. The Town agrees that any cash paid to the Trustee pursuant to the provisions described above shall be used to redeem or defease Outstanding Certificates.

On or after the delivery of the Certificate of Completion, the Town may provide written direction to the Trustee to release eleven (11) condominium units from the Lease and the Site Lease without complying with the preceding paragraph. The Town's written direction shall contain the legal description of the condominium units to be released. Upon receipt of direction from the Town, the Trustee is directed to take all actions necessary to effect the release of the designated condominium units from the Lease and the Site Lease. This paragraph shall survive any termination of the Lease Term.

### **Purchase Option; Conditions for Purchase Option**

**Purchase Option.** The Town shall have the option to purchase the Trustee's leasehold interest in the Leased Property, but only if an Event of Lease Default or an Event of Nonappropriation has not occurred and is then continuing. The Town may exercise its option on any date by complying with one of the conditions described in "Conditions for Purchase Option" below.

The Town shall give the Trustee notice of its intention to exercise its option not less than forty-five (45) days in advance of the date of exercise and shall deposit the required moneys with the Trustee on or before the date selected to pay the Purchase Option Price. The Trustee may waive such notice or may agree to a shorter notice period in the sole determination of the Trustee.

If the Town shall have given notice to the Trustee of its intention to purchase the Trustee's leasehold interest in the Leased Property or prepay Base Rentals but shall not have deposited the amounts with the Trustee on the date specified in such notice, the Town shall continue to pay Base Rentals, which have been specifically appropriated by the Town for such purpose, as if no such notice had been given.

Conditions for Purchase Option. The Trustee shall transfer and release the Trustee's leasehold interests in the Leased Property to the Town in the manner provided for in Section 12.3 of the Lease; provided, however, that prior to such transfer and release, either:

(a) the Town shall have paid the then applicable Purchase Option Price which shall equal the sum of the amount necessary to defease and discharge the Indenture as provided therein (i.e., provision for payment of all principal and interest portions of any and all Certificates which may have been executed and delivered pursuant to the Indenture shall have been made in accordance with the terms of the Indenture) plus any fees and expenses then owing to the Trustee; or

(b) the Town shall have paid all Base Rentals set forth in Exhibit C (Base Rentals Schedule) to the Lease, for the entire maximum Lease Term, and all then current Additional Rentals required to be paid under the Lease.

At the Town's option, amounts then on deposit in any fund held under the Indenture (except the Rebate Fund and excluding any defeasance escrow funds) may be credited toward the Purchase Option Price.

#### **Assignment by the Trustee; Replacement of the Trustee**

Except as otherwise provided in the Lease and the Indenture, the Lease may not be assigned by the Trustee for any reason other than to a successor by operation of law or to a successor trustee under the Indenture or with the prior written consent of the Town which consent shall not be unreasonably withheld. The Trustee will notify the Town of any assignment to a successor by operation of law.

If an Event of Lease Default or Event of Nonappropriation has occurred and is continuing, the Trustee may act as provided in the Lease, including exercising the remedies set forth in Section 14.2 of the Lease, without the prior written direction of the Town.

#### **Assignment and Subleasing by the Town**

The Lease may not be assigned by the Town for any reason other than to a successor by operation of law. However, the Leased Property may be subleased, as a whole or in part, by the Town, without the necessity of obtaining the consent of the Trustee or any owner of the Certificates subject to each of the following conditions:

- (a) The Leased Property may be subleased, in whole or in part, only to an agency or department of, or a political subdivision of, the State, or to another entity or entities with Approval of Special Counsel, or to persons who will occupy a portion of the Leased Property as their residence;
- (b) The Town shall furnish or cause to be furnished to the Trustee a copy of any sublease agreement;
- (c) Except for subleases to persons who will occupy a portion of the Leased Property as their residence, any sublease of the Leased Property shall provide that it shall automatically terminate upon a termination of the Lease;
- (d) The Lease, and the obligations of the Town hereunder, shall, at all times during the Lease Term remain obligations of the Town, and the Town shall maintain its direct relationships with the Trustee, notwithstanding any sublease; and
- (e) No sublease by the Town shall cause the Leased Property to be used for any purpose which would cause the Town to violate its tax covenant in Section 11.5 of the Lease.

All subleases shall provide that, upon a termination of the Lease Term by reason of the occurrence of an Event of Nonappropriation or an Event of Lease Default, and upon written notice by the Trustee to the party or parties to the subleases that any of such events has occurred such contracts shall be fully and freely assignable to the Trustee, without the consent of any other person. Upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, and upon receipt of a written request from the Trustee, the Town shall cooperate with the Trustee to effectuate the assignment of all of its right, title and interest in and to all subleases to the Trustee.

### **Events of Lease Default Defined**

Any one of the following shall be Events of Lease Default under the Lease:

- (a) failure by the Town to pay any Base Rentals or Additional Rentals, which have been specifically appropriated by the Town for such purpose, during the Initial Term or any Renewal Term, within five (5) Business Days of the date on which they are due; or
- (b) subject to the provisions of Section 6.5 of the Lease, failure by the Town to vacate or surrender possession of the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation has occurred; or
- (c) failure by the Town to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in (a) or (b), (and other than a failure to comply with Section 11.6 of the Lease) for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be received by the Town from the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action can be instituted by the Town within the applicable period and diligently pursued until the default is corrected; or
- (d) failure by the Town and the County to comply with the terms of the Site Lease.

The provisions described above are subject to the following limitations:

- (i) the Town shall be obligated to pay the Base Rentals and Additional Rentals, which have been specifically appropriated by the Town for such purpose, only during the then current Lease Term, except as otherwise expressly provided in the Lease; and
- (ii) if, by reason of Force Majeure, the Town or the Trustee shall be unable in whole or in part to carry out any agreement on their respective parts contained in the Lease other than the Town's agreement to pay the Base Rentals and Additional Rentals due under the Lease, the Town or the Trustee shall not be deemed in default during the continuance of such inability. The Town and the Trustee each agree, however, to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the Town or the Trustee from carrying out their respective agreements; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Town.

### **Remedies on Default**

Whenever any Event of Lease Default shall have happened and be continuing beyond any applicable cure period, the Trustee may, or shall at the request of the owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as to costs and expenses as provided in the Indenture, without any further demand or notice, take one or any combination of the following remedial steps:

(a) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property, which vacation and surrender the Town agrees to complete within sixty (60) days from the date of such notice; provided, in the event the Town does not vacate and surrender possession on the termination date, the provisions of Section 6.5 of the Lease shall apply;

(b) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee's leasehold interest in the Leased Property;

(c) recover from the Town:

(i) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and

(ii) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or

(d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture.

Upon the occurrence of an Event of Nonappropriation, the Trustee shall be entitled to recover from the Town the amounts set forth in Section 14.2(c)(i) of the Lease if the Town continues to occupy the Leased Property after December 31 of the Fiscal Year in which such Event of Nonappropriation occurs.

The Trustee shall also be entitled, upon any Event of Lease Default, to any moneys in any funds or accounts created under the Indenture (except the Rebate Fund or any defeasance escrow accounts).

### **Limitations on Remedies**

The remedies in connection with an Event of Lease Default shall be limited as described below. A judgment requiring a payment of money may be entered against the Town by reason of an Event of Lease Default only as to the Town's liabilities described in paragraph (c) under "Remedies on Default" above. A judgment requiring a payment of money may be entered against the Town by reason of an Event of Nonappropriation only to the extent that the Town fails to vacate and surrender possession of the Leased Property as required by Section 6.4 of the Lease, and only as to the liabilities described in paragraph (c)(i) under "Remedies on Default" above. The remedy described in paragraph (c)(ii) under "Remedies on Default" is not available for an Event of Lease Default consisting of failure by the Town to vacate and surrender possession of the Leased Property by March 1 following an Event of Nonappropriation.

### **No Remedy Exclusive**

Subject to Section 14.3 of the Lease (described in the previous paragraph), no remedy conferred in the Lease upon or reserved to the Trustee, is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in Article 14 of the Lease, it shall not be necessary to give any notice, other than such notice as may be required in Article 14 of the Lease.

## **Waivers**

The Trustee may waive any Event of Lease Default under the Lease and its consequences. In the event that any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Lease. Payment of Base Rentals or Additional Rentals by the Town shall not constitute a waiver of any breach or default by the Trustee under the Lease.

## **Agreement to Pay Attorneys' Fees and Expenses**

In the event that either party to the Lease shall default under any of the provisions of the Lease and the nondefaulting party shall employ attorneys or incur other expenses for the collection of Base Rentals or Additional Rentals, or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained in the Lease, the defaulting party agrees that it shall on demand therefor pay to the nondefaulting party, to the extent permitted by law, the reasonable fees of such attorneys and such other reasonable expenses so incurred by the nondefaulting party. Notwithstanding the foregoing, any such fees and expenses owed by the Town under the Lease shall constitute Additional Rentals for all purposes of the Lease and shall be subject to Appropriation.

# **THE INDENTURE**

## **General**

The Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the proceeds of which will be used to finance the Project. The Indenture is being executed and delivered by the Trustee for the benefit of the Owners of the Certificates. The Trust Estate secures the payment of the principal of and interest on the Certificates.

The Certificates shall constitute proportionate interests in the Trustee's right to receive the Base Rentals under the Lease and other Revenues. The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Council not to appropriate any amounts payable under the Lease be construed to constitute an action impairing such contract.

The Certificates shall not constitute a mandatory charge or requirement of the Town in any ensuing Fiscal Year beyond the current Fiscal Year and shall not constitute or give rise to a general obligation or other indebtedness of the Town or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Town, within the meaning of any constitutional, Charter or statutory debt provision or limitation. No provision of the Certificates shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the Town within the meaning of Sections 1 or 2 of Article XI of the Colorado Constitution. The execution and delivery of the Certificates shall not directly or indirectly obligate the Town to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the Town's then current Fiscal Year.

## **Application of Revenues and Other Moneys**

All Base Rentals payable under the Lease and other Revenues shall be paid directly to the Trustee. If the Trustee receives any other payments on account of the Lease, the Trustee shall immediately deposit the same as provided below.

Except for Net Proceeds to be applied pursuant to Section 10.02 of the Lease, the Trustee shall deposit all Revenues and any other payments received in respect of the Lease, immediately upon receipt thereof, to the Base Rentals Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due on the Certificates on

the next Interest Payment Date. In the event that the Trustee receives Prepayments under the Lease, the Trustee shall apply such Prepayments to the Optional Redemption of the Certificates or portions thereof in accordance with Section 4.01 of the Indenture.

### **Additional Certificates**

So long as no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth in the Indenture. The principal of any Additional Certificates shall mature on December 1 and the Interest Payment Dates therefor shall be the same as the Interest Payment Dates for the Certificates; otherwise the times and amounts of payment of Additional Certificates shall be as provided in the supplemental ordinance or indenture and amendment to the Lease entered into in connection therewith.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Certificates, to provide moneys to pay any one or more of the following:

- (a). the costs of acquiring, constructing, improving and installing any capital improvements of the Town or any New Facility, or of acquiring a Site for any New Facility or of acquiring a Site for any New Facility (and costs reasonably related thereto);
- (b). the costs of completing the Project or making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Leased Property as the Town may deem necessary or desirable, and as in accordance with the provisions of the Lease; or
- (c). for the purpose of refunding or refinancing all or any portion of Outstanding Certificates or Additional Certificates.

In such case, the Costs of Execution and Delivery of the Additional Certificates and other costs reasonably related to the purposes for which Additional Certificates are being executed and delivered may be included.

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee:

- (d). Originally executed counterparts of a supplemental Indenture and related and necessary amendments to the Site Lease and the Lease (including any necessary amendment to the Base Rentals Schedule); and
- (e). A commitment or other evidence that the amount of the title insurance policy delivered in respect of the Certificates will be increased, if necessary, to reflect the amount of the Additional Certificates and all other Outstanding Certificates (or such lesser amount as shall be the maximum insurable value of the real property included in the Leased Property); and
- (f). A written opinion of Special Counsel to the effect that:
  - (i) the execution and delivery of Additional Certificates have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled;
  - (ii) the excludability of interest from gross income for federal income tax purposes on Outstanding Certificates will not be adversely affected by the execution and delivery of the Additional Certificates being executed and delivered; and

(iii) the sale, execution and delivery of the Additional Certificates, in and of themselves, will not constitute an Event of Indenture Default or an Event of Lease Default nor cause any violation of the covenants or representations in the Indenture or in the Lease; and

(g). Written directions from the underwriter, placement agent or financial advisor with respect of the Additional Certificates, together with written acknowledgment of the Town Representative, to the Trustee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified purchase price.

Each Additional Certificate executed and delivered pursuant to the Indenture shall evidence a proportionate interest in the rights to receive the Revenues under the Indenture and shall be ratably secured with all Outstanding Certificates and in respect of all Revenues and shall be ranked *pari passu* with such Outstanding Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

## Funds and Accounts

The Indenture provides for the creation and establishment of the various funds and accounts as described in the following paragraphs. The Trustee holds these funds and accounts in trust for the benefit of the Owners of the Certificates. The ownership of the Base Rentals Fund, Construction Fund, the Costs of Execution and Delivery Fund, and all accounts within such Funds and any other fund or account created under the Indenture (except defeasance escrow account) shall be held in trust by the Trustee for the benefit of the Owners of the Certificates; provided that moneys in the Rebate Fund shall be used only for the specific purpose provided in Section 3.05 of the Indenture.

Base Rentals Fund. A special fund is created under the Indenture and established with the Trustee designated the “Town of Frisco, Colorado, 2023 Lease Purchase Agreement, Base Rentals Fund” which shall be used for the deposit of all Revenues, upon receipt thereof by the Trustee, except for Net Proceeds to be applied pursuant to Section 10.02 of the Lease. Moneys in the Base Rentals Fund shall be used solely for the payment of the principal of and interest on the Certificates whether on an Interest Payment Date, at maturity or upon prior redemption, except as provided in Section 3.04 of the Indenture.

The Base Rentals Fund shall be in the custody of the Trustee. Base Rental payments are due and payable to the Trustee on or before each May 21 and November 20 of each year during the Lease Term. The Trustee shall withdraw sufficient funds from the Base Rentals Fund to pay the principal of and interest on the Certificates as the same become due and payable whether on an Interest Payment Date, at maturity or upon prior redemption, which responsibility, to the extent of the moneys therein, the Trustee accepts in the Indenture.

Any moneys held in the Base Rentals Fund shall be invested by the Trustee in accordance with Article 5 of the Indenture.

Rebate Fund. A special fund is created under the Indenture and established to be held by the Trustee, and to be designated the “Town of Frisco, Colorado, 2023 Lease Purchase Agreement, Rebate Fund” (the “Rebate Fund”). To the extent necessary to comply with the provisions of the Tax Certificate, the Trustee shall transfer into the Rebate Fund investment income on moneys in any fund created under the Indenture (except defeasance escrows). In addition to the deposit of investment income as provided in the Indenture, there shall be deposited into the Rebate Fund moneys received from the Town as Additional Rentals for rebate payments pursuant to the Lease; moneys transferred to the Rebate Fund from any other fund created under the Indenture pursuant to the provisions described above; and all other moneys received by the Trustee when accompanied by directions not inconsistent with the Lease or the Indenture that such moneys are to be paid into an account of the Rebate Fund. The Town will cause (or direct the Trustee to cause) amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury at the address

and times provided in the Tax Certificate, and in the amounts calculated to ensure that the Town's rebate obligations are met, in accordance with the Town's tax covenants in Section 11.5 of the Lease. Amounts on deposit in the Rebate Fund shall not be subject to the lien of the Indenture to the extent that such amounts are required to be paid to the United States Treasury.

If, at any time after the Trustee receives instructions by the Town to make any payments from the Rebate Fund, the Trustee determines that the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, and if the Trustee does not receive Additional Rentals or there is insufficient investment income on moneys in any fund created under the Indenture so as to make the amount on deposit in the appropriate account in the Rebate Fund sufficient for its purpose, the Trustee shall transfer moneys to the Rebate Fund from the Base Rentals Fund. Any moneys so advanced from the Base Rentals Fund shall be included as an Additional Rental for the current Fiscal Year pursuant to the Lease and shall be repaid to the fund from which advanced upon payment to the Trustee of such Additional Rentals. Upon receipt by the Trustee of an opinion of Special Counsel to the effect that the amount in the Rebate Fund is in excess of the amount required to be therein pursuant to the provisions of the Tax Certificate, such excess shall be transferred to the Base Rentals Fund.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report. The Town may, at its own expense, retain an independent firm of professionals in such area to calculate such rebate amounts.

Notwithstanding the foregoing, in the event that the Lease has been terminated or the Town has failed to comply with Section 11.5 thereof so as to make the amount on deposit in the Rebate Fund sufficient for its purpose, the Trustee shall first make transfers of investment income to the Rebate Fund and second of moneys from the Base Rentals Fund.

Costs of Execution and Delivery Fund. A special fund is created under the Indenture and established with the Trustee and designated the "Town of Frisco, Colorado, 2023 Lease Purchase Agreement Costs of Execution and Delivery Fund." Upon the delivery of the Certificates there shall be deposited into the Costs of Execution and Delivery Fund from the proceeds of the Certificates the amounts directed by Section 3.01(b) of the Indenture. Payments from the Costs of Execution and Delivery Fund shall be made by the Trustee upon either (i) receipt of a requisition for the provision of Costs of Execution and Delivery of the Certificates approved in writing by the Town Representative and (a) stating the payee, the amount to be paid, method of payment, and the purpose of the payment and (b) certifying that the amount to be paid is due and payable, has not been the subject of any previous requisition and is a proper charge against the Costs of Execution and Delivery Fund, or (ii) as provided in a closing memorandum signed by the Town Representative. The Trustee may conclusively rely on requisitions (or the closing memorandum) submitted in accordance with the Indenture as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

Any moneys held in the Costs of Execution and Delivery Fund shall be invested by the Trustee in accordance with Article 5 of the Indenture.

The Trustee shall transfer all moneys remaining in the Costs of Execution and Delivery Fund to the Town upon the final payment of all Costs of Execution and Delivery (and in any event not later than ninety (90) days following the Closing), as certified in writing by the Town Representative. Any such remaining amounts so transferred to the Town shall be deposited by the Town in the Base Rentals Fund or applied by the Town to pay Costs of the Project.

Construction Fund. (a) A special fund is created under the Indenture and established with the Trustee to be designated as the "Town of Frisco, Colorado, Series 2023 Lease Purchase Agreement Construction Fund."

(b) Moneys on deposit in the Construction Fund shall be disbursed by the Trustee, upon the written direction of the Town Representative, to pay the Costs of the Project (as defined in the Lease) as set forth in Article 7 of the Lease.

(c) Prior to the Completion Date, (i) all income earned from the investment of moneys in the Construction Fund shall be retained in the Construction Fund; provided, however, income from the Construction Fund may be transferred to the Rebate Fund if required by Section 3.05 of the Indenture, and (ii) all such income shall be reinvested or used for purposes of the Construction Fund until transferred, if applicable, as described in subsections (d) and (e) below.

(d) Any moneys remaining in the Construction Fund on the Completion Date, except for amounts set aside by the Trustee to pay remaining Costs of the Project as provided in the Certificate of Completion (in form as provided in Exhibit F to the Lease) filed with the Trustee by the Town Representative, shall be transferred to the Base Rentals Fund and used for the purposes of such Fund.

(e) Any moneys held in the Construction Fund shall be invested by the Trustee in accordance with Article 5 of the Indenture.

### **Investment of Moneys**

The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Permitted Investment, remains a Permitted Investment absent a receipt of written notice or information to the contrary. All moneys held as part of the Base Rentals Fund, Construction Fund, the Rebate Fund, the Costs of Execution and Delivery Fund, or any other fund or account created under the Indenture (other than any defeasance escrow accounts) shall be deposited or invested and reinvested by the Trustee, at the written direction of the Town Representative, in Permitted Investments, and the Trustee may assume that any investment directed in writing by the Town constitutes a Permitted Investments; provided, however, that the Trustee shall make no deposits or investments of any fund or account created under the Indenture which shall interfere with or prevent withdrawals for the purpose for which the moneys so deposited or invested were placed in trust under the Indenture or for payment of the Certificates at or before maturity or interest thereon as required under the Indenture. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee. Except as otherwise provided in the Indenture, deposits or investments shall at all times be a part of the fund or account from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. Any interest or other gain from any fund or account created under the Indenture (except defeasance escrows) shall be deposited to the Rebate Fund to the extent required and permitted pursuant to Section 3.05 of the Indenture. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in the Base Rentals Fund is insufficient to pay the principal of and interest on the Certificates when due, or whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

The Trustee agrees in the Indenture to secure and retain the documentation with respect to investments of moneys in the funds and accounts created under the Indenture as required by and as described in the Tax Certificate.

The Trustee may rely upon the Town Representative's written direction as to both the suitability and the legality of the directed investments and shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment made in accordance with the provisions described above.

The Trustee may transfer investments from any Fund or Account to any other Fund or Account in lieu of cash when a transfer is required or permitted by the provisions of the Indenture.

If the Trustee is not provided written directions concerning investment of moneys held in the Funds, the Trustee shall invest in a money market fund available to the Trustee, provided such investment matures or are subject to redemption prior to the date such funds will be needed. Unless otherwise confirmed or directed in writing, an account statement delivered periodically by the Trustee to the Town shall confirm that the investment transactions identified therein accurately reflect the investment directions of the Town Representative, unless the Town Representative notifies the Trustee in writing to the contrary within thirty (30) days of the date of delivery of such statement.

The Trustee may purchase or invest in shares of any investment company provided that such investments are Permitted Investments at the time of such investment and that such investments: (i) is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial or other services for compensation); (ii) invests substantially all of its assets in short term high quality money market instruments, limited to obligations issued or guaranteed by the United States, or repurchase agreements backed by such obligations; and (iii) maintains a constant asset value per share.

The Trustee is specifically authorized to implement its automated cash investments system to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments.

In computing the amount in any fund or account (except defeasance escrows), Permitted Investments shall be valued at the market price, exclusive of accrued interest. With respect to all funds and accounts (except defeasance escrows, and except as otherwise provided in the Tax Certificate with respect to the Rebate Fund), valuation shall occur as of December 31 of each year.

### **Defeasance and Discharge of the Indenture**

(a) When the principal or redemption price (as the case may be) of, and interest on, all the Certificates executed and delivered under the Indenture have been paid or provision has been made for payment of the same (or, in the case of redemption of the Certificates pursuant to Section 4.03 of the Indenture, if full or partial payment of the Certificates and interest thereon is made as provided in Section 4.03 of the Indenture), together with all other sums payable under the Indenture relating to the Certificates (including the fees and expenses of the Trustee), then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Town to the Trustee and to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Town shall prepare and the Trustee shall (1) release the Site Lease and transfer and convey the Trustee's leasehold interest in the Leased Property to the Town as provided by Article 12 of the Lease, (2) release the Lease and the Indenture, (3) execute such documents to evidence such releases as may be reasonably required by the Town, and (4) turn over to the Town all balances then held by the Trustee in the Funds under the Indenture except for amounts held in any defeasance escrow accounts. If payment or provision therefor is made with respect to less than all of the Certificates, the particular Certificates (or portion thereof) for which provision for payment shall have been considered made shall be selected by the Town.

(b) Provision for the payment of all or a portion of the Certificates shall be deemed to have been made when the Trustee holds in the Base Rentals Fund, or there is on deposit in a separate escrow account or trust account held by a trust bank or escrow agent, either moneys in an amount which shall be sufficient, and/or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, concurrently deposited in trust, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become

due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Prior to any discharge of the Indenture as described herein or the defeasance of any Certificates pursuant to the provisions described in this section becoming effective, there shall have been addressed and delivered to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the applicable Certificates in full on the maturity or redemption date thereof unless fully funded with cash.

(c) Neither the Federal Securities nor the moneys deposited in the Base Rentals Fund or separate escrow account or trust account as described herein shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, premium, if any, and interest on the Certificates or portions thereof; provided, however, that other Federal Securities and moneys may be substituted for the Federal Securities and moneys so deposited prior to their use for such purpose.

(d) Whenever moneys or Federal Securities shall be deposited with the Trustee or a separate escrow agent for the payment or redemption of any Certificates more than forty-five (45) days prior to the date that such Certificates are to mature or be redeemed, the Trustee shall provide a notice by electronic or other means stating that such moneys or Federal Securities have been deposited and identifying the Certificates for the payment of which such moneys or Federal Securities are being held, to all Owners of Certificates for the payment of which such moneys or Federal Securities are being held, or if such Certificates are registered in the name of the Depository, such notice may be sent, in the alternative, by electronic means in accordance with the regulations of the Depository.

(e) At such time as any Certificate shall be deemed paid as provided in (b) above, such Certificate shall no longer be secured by or entitled to the benefits of the Indenture, the Lease or the Site Lease, except for the purpose of exchange and transfer and any payment from such cash or Federal Securities deposited with the Trustee.

### **Events of Indenture Default Defined**

Each of the following shall be an Event of Indenture Default:

- (a) failure to pay the principal of or premium, if any, on any Certificate when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption;
- (b) failure to pay any installment of interest on any Certificate when the same shall become due and payable;
- (c) the occurrence of an Event of Nonappropriation; or
- (d) the occurrence of an Event of Lease Default.

Upon the occurrence of any Event of Indenture Default of which the Trustee is required to take notice or receive notice pursuant to Section 8.05, the Trustee shall give notice thereof to the Owners of the Certificates. The Trustee shall waive any Event of Nonappropriation which is cured by the Town within thirty (30) days of the receipt of notice by the Trustee as provided by Section 6.4(b) of the Lease, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term. The Trustee may waive any Event of Nonappropriation which is cured by the Town within a reasonable time with the procedure described in the preceding sentence.

### **Remedies**

If any Event of Indenture Default occurs and is continuing, the Trustee may, or shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as provided in Section 8.01(d) of the Indenture, without any further demand or notice, enforce for the benefit of the Owners of the Certificates each and every right of the Trustee as the lessee under the Site Lease and the lessor under the Lease. In exercising such rights of the Trustee and the rights given the Trustee under this Article 7 and Article 8, the Trustee may, or shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as provided in Section 8.01(d) of the Indenture, take such action as, in the judgment of the Trustee, upon advice of its counsel, would best serve the interests of the Owners of the Certificates, including calling the Certificates for redemption prior to their maturity in the manner and subject to the provisions of Article 4 of the Indenture and exercising the Lease Remedies provided in the Lease, provided however that such action shall not include consequential or punitive damages against the Town.

### **Legal Proceedings by Trustee**

If any Event of Indenture Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Outstanding Certificates and receipt of indemnity to its satisfaction, shall, in its capacity as Trustee under the Indenture:

- (a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners of the Certificates, including enforcing any rights of the Trustee in respect of the Trustee's leasehold interests in the Leased Property including its rights as lessor under the Lease and as lessee under the Site Lease and its rights under the Indenture and to enforce the provisions of the Indenture and any collateral rights under the Indenture for the benefit of the Owners of the Certificates; or
- (b) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Certificates; or
- (c) Take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners of the Certificates.

### **Discontinuance of Proceedings by Trustee**

If any proceeding commenced by the Trustee on account of any Event of Indenture Default is discontinued or is determined adversely to the Trustee, then the Trustee and Owners of the Certificates shall be restored to their former positions and rights under the Indenture as though no such proceeding had been commenced.

### **Owners of Certificates May Direct Proceedings**

The Owners of a majority in aggregate principal amount of Outstanding Certificates shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that such direction shall not be in conflict with any rule of law or with the Indenture or unduly prejudice the rights of minority Owners of the Certificates.

### **Remedies Not Exclusive**

Subject to any express limitations contained in the Indenture, no remedy in the Indenture conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

### **Limitations on Actions by Owners of Certificates**

No Owner of the Certificates shall have any right to pursue any remedy under the Indenture unless:

- (a) the Trustee shall have been given written notice of a default pursuant to Section 8.05, and such default becomes an Event of Indenture Default;
- (b) the Owners of at least a majority in aggregate principal amount of all Outstanding Certificates shall have requested the Trustee, in writing, to exercise the powers granted by the Indenture to or pursue such remedy in its or their name or names;
- (c) the Trustee shall have been offered indemnity satisfactory to it as provided in Section 8.01(d) of the Indenture; and
- (d) the Trustee shall have failed to comply with such request within a reasonable time.

Notwithstanding the provisions described above or any other provision of the Indenture, the obligation of the Trustee shall be absolute and unconditional to pay under the Indenture, but solely from the Revenues pledged under the Indenture, the principal of, premium, if any, and interest on the Certificates to the respective Owners thereof on the respective due dates thereof, and nothing in the Indenture shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

#### **Application of Moneys in Event of Indenture Default**

Any moneys received, collected or held by the Trustee following an Indenture Event of Default and any other moneys held as part of the Trust Estate (except for moneys held in the Rebate Fund or any defeasance escrow account) shall be applied in the following order:

- (a) To the payment of the reasonable costs and expenses of the Trustee, including, but not limited to, its Counsel fees and expenses, and disbursements of the Trustee and expenses of the proceedings resulting in the collection of such moneys and of all fees, costs, expenses, liabilities and advances incurred or made by the Trustee, and the payment of its reasonable compensation and any advances, including any amounts remaining unpaid;
- (b) To the payment of interest then owing on the Certificates, and in case such moneys shall be insufficient to pay the same in full, then to the payment of interest ratably, without preference or priority of one Certificate over another or of any installment of interest over any other installment of interest; and
- (c) To the payment of principal or redemption price (as the case may be) then owing on the Outstanding Certificates, and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or redemption price ratably, without preference or priority of one Certificate over another.

The surplus, if any, shall be paid to the Town.

#### **Certain Provisions Regarding the Trustee**

Duties of the Trustee. In the Indenture, the Trustee accepts the provisions of the Site Lease, the Lease and the Indenture and accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth in the Site Lease, the Lease and the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

The Trustee covenants for the benefit of the Owners of the Certificates that the Trustee will observe and comply with its obligations under the Site Lease, the Lease and the Indenture.

The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under the Indenture against all claims and demands of all persons whomsoever.

The Trustee, prior to the occurrence of an Event of Indenture Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Lease and in the Indenture. If an Event of Indenture Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and power vested in it by the Lease and the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in conducting such person's affairs in exercising any rights or remedies or performing any of its duties under the Indenture. Before taking any action under the Indenture the Trustee may require that satisfactory indemnity be furnished to it by the Certificate Owners for the reimbursement of all fees, costs and expenses (including, without limitation, attorney's fees and expenses) which it may incur and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or resolution related to the protection of the environment or hazardous substances, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

The Trustee shall take such actions to release property from the Lease and Site Lease as required by section 11.4 of the Lease.

Liability of Trustee; Trustee's Use of Agents. The Trustee shall be liable only for its own negligence or willful misconduct. However, the Trustee shall not be liable for any error of judgment made in good faith, provided the Trustee was not negligent in ascertaining the pertinent facts.

The Trustee may exercise any powers under the Indenture and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to the advice or opinion of Counsel concerning all matters involving the Trustee's duties under the Indenture and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts of the Indenture. The Trustee may rely and act upon the opinion or advice of Counsel engaged by the Trustee in the exercise of reasonable care without liability for any loss or damage resulting from any action or omission taken in good faith reliance upon that opinion or advice.

The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct, and shall not be answerable for any negligent act of its attorneys, agents or receivers which have been selected by the Trustee with due care.

The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in possession of or managing the Leased Property.

The Trustee shall not be liable for actions taken at the direction of Owners pursuant to the provisions of Article 7 of the Indenture.

Any person hired by the Trustee to enforce Lease Remedies shall be considered the Trustee's agent for the purposes of the Indenture.

The Trustee shall not be responsible for any recital herein or in the Certificates (except in respect to the execution of the Certificates on behalf of the Trustee), or for the recording or rerecording, filing or

refiling of the Site Lease, the Lease or the Indenture or of any supplements thereto or hereto or any financing statement (other than continuation statements) in connection therewith, or for insuring the project, for collecting any insurance moneys, or for the sufficiency of the security for the Certificates issued hereunder or intended to be secured hereby, or for the value of or title to the Leased Property, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Town, except as provided herein; but the Trustee may require of the Town full information and advice as to the performance of the covenants, conditions and agreements aforesaid. The Trustee shall have no obligation to perform any of the duties of the Town under the Site Lease or the Lease; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture.

The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof (except for funds and investments held by the Trustee), or the validity or sufficiency of the Indenture or of the Certificates. The Trustee shall not be accountable for the use of any Certificates executed and delivered hereunder. The Trustee shall not be accountable for the use or application of any Certificates or the proceeds thereof or of any money paid to or upon the order of the Town under any provisions of the Indenture or the Lease.

As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Town by the Town Representative or such other person as may be designated for such purpose by ordinance or resolution of the Council, as sufficient evidence of the facts therein contained, and before the occurrence of a default of which the Trustee has been notified as provided in Section 8.05 of the Indenture or of which by said subsection it is deemed to have been notified, the Trustee may rely upon a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law. The Trustee shall not be under any liability for interest on any moneys received hereunder except that the Trustee is responsible for investing moneys in funds held hereunder in compliance with the written investment direction of the Town Representative.

The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Notwithstanding anything in the Indenture contained, the Trustee shall have the right, but shall not be required, to demand in respect of the execution and delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Town to the execution and delivery of any Certificates, or the taking of any other action by the Trustee.

Notwithstanding any other provision hereof, the Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder or any other documents related to the Indenture, but may if it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates. The Trustee shall not be required to give any bond or surety in respect to the execution of its trusts and powers hereunder.

The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Certificates except to the extent that such statement was provided by the Trustee or describes the Trustee's duties under the Indenture.

The Trustee is authorized and directed to enter into the Site Lease and the Lease, solely in its capacity as Trustee under the Indenture.

At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect any and all books, papers and records of the Town pertaining to the Leased Property and the Certificates, and to take such memoranda from and in regard thereto as may be desired.

The Trustee is entering into the Site Lease and the Lease solely in its capacity as Trustee under the Indenture and all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee shall apply with equal force and effect to all actions taken by the Trustee in connection with the Site lease and the Lease.

Notwithstanding any other provision of the Indenture to the contrary, any provision relating to the conduct of, intended to provide authority to act, right to payment of fees and expenses, protection, immunity, and indemnification to the Trustee, shall be interpreted to include any action of the Trustee, whether it is deemed to be in its capacity as Trustee, registrar, or Paying Agent.

Compensation. The Trustee shall be entitled to payment and reimbursement for its reasonable fees and expenses for its services rendered under the Indenture as and when the same become due and all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services as and when the same become due, as provided in Section 6.2 of the Lease. Should it become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary costs and expenses are occasioned by negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The rights of the Trustee to payments as described above shall be superior to the rights of the Owners with respect to the Trust Estate.

Notice of Default; Right to Investigate. If an Event of Indenture Default occurs of which the Trustee is deemed to have notice pursuant to the Indenture, the Trustee shall, within thirty (30) days after it receives notice thereof, give written notice by electronic means or first class mail to the Owners of the Certificates of all Events of Indenture Default known to the Trustee and send a copy of such notice to the Town, unless such defaults have been remedied. The Trustee shall not be required to take notice or be deemed to have notice of any default unless it has actual knowledge thereof or has been notified in writing of such default by the Town or the Owners of at least 25% in aggregate principal amount of the Outstanding Certificates. The Trustee may, however, at any time request the Town to provide full information as to the performance of any covenant under the Lease; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made an investigation into any matter related to the Site Lease, the Lease and the Leased Property.

Obligation to Act on Defaults. If any Event of Indenture Default shall have occurred and be continuing of which the Trustee has actual knowledge or notice pursuant to Section 8.05, the Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it for the reimbursement of all fees, costs and expenses (including, without limitation, attorney's fees and

expenses) to which it may be put and to protect it against all liability which may incur in or by reason of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Town not less than sixty (60) days before the date when it is to take effect; provided notice of such resignation is sent by electronic means or mailed by registered or certified mail to the Owner of each Outstanding Certificate at the address shown on the registration books. Such resignation shall take effect only upon the appointment of a successor Trustee. If no successor Trustee is appointed within sixty (60) days following the date designated for the resignation of the Trustee, the resigning Trustee may apply to a court of competent jurisdiction to appoint a successor Trustee. The rights of the Trustee to be held harmless, to insurance proceeds, or to other amounts due arising prior to the date of such resignation shall survive resignation.

Removal of Trustee. Any Trustee under the Indenture may be removed at any time, after payment of all outstanding fees and expenses of the Trustee being so removed, by the Town or by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, upon written notice being filed with the Trustee, the Town and the Owner of each Outstanding Certificate at the address shown on the registration books. Such removal shall take effect only upon the appointment of a successor Trustee. The rights of the Trustee to be held harmless, to insurance proceeds or to other amounts due arising prior to the date of such removal shall survive removal.

Appointment of Successor Trustee. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Town shall appoint a successor, and shall cause a notice of such appointment to be mailed by registered or certified mail to the Owners of all Outstanding Certificates at the address shown on the registration books. If the Town fails to make such appointment within thirty (30) days after the date notice of resignation is filed, the Owners of a majority in aggregate principal amount of the Certificates then Outstanding may do so. If the Owners have failed to make such appointment within thirty (30) days after the date notice of resignation is filed, the Trustee may petition a court of competent jurisdiction to make such appointment.

Any successor trustee shall be a national or state bank with trust powers or a bank and trust company or a trust company, in each case having capital and surplus of at least \$50,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

Any corporation into which any Trustee under the Indenture may be merged or with which it may be consolidated, or any corporation resulting from any sale, merger or consolidation of its corporate trust business to which any Trustee under the Indenture shall be a party, shall be the successor trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

## **Supplemental Indentures**

Amendments Not Requiring Certificate Owners' Consent. The Trustee may, with the written consent of the Town, but without the consent of or notice to the Owners, enter into such indentures or agreements supplemental to the Indenture, for any one or more or all of the following purposes:

- (a) to grant additional powers or rights to the Trustee;
- (b) to make any amendments necessary or desirable to obtain or maintain a rating from any Rating Agency rating the Certificates;

(c) to authorize the execution and delivery of Additional Certificates for the purposes and under the conditions set forth in Section 2.08 of the Indenture;

(d) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals allocable to the Certificates; or

(e) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity, or to correct or supplement any provision contained in the Indenture which may be defective or inconsistent with any other provisions contained in the Indenture or to make such other amendments to the Indenture which do not materially adversely affect the interests of the Owners of the Certificates.

Supplemental Indentures and Amendments Requiring Certificate Owners' Consent.

(a) Exclusive of supplemental indentures and amendments covered by Section 9.01 of the Indenture (described above in "Amendments Not Requiring Certificate Owners' Consent"), the written consent of the Town and the consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, shall be required for any indenture or indentures supplemental to the Indenture.

(b) Notwithstanding the foregoing, without the consent of the Owners of all of the Certificates at the time Outstanding, nothing contained in the Indenture shall permit, or be construed as permitting:

(i) A change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate;

(ii) The deprivation of the Owner of any Certificate then Outstanding of the interest created by the Indenture (other than as originally permitted by the Indenture) without the consent of the Owner of such Certificate;

(iii) A privilege or priority of any Certificate or Certificates over any other Certificate or Certificates (except with respect to the possible subordination of Additional Certificates); or

(iv) A reduction in the aggregate principal amount of the Certificates required for consent to such supplemental indenture.

If at any time the Town shall request the Trustee to enter into a supplemental indenture which requires the consent of the Certificate Owners as provided in the Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given by electronic means or mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Certificate Owners. If, within 60 days or such longer period as shall be prescribed by the Town following the provision of such notice, the required consents have been furnished to the Trustee as provided in the Indenture, no Certificate Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

**Amendment of the Lease and the Site Lease**

(a) The Trustee and the Town shall have the right to amend the Lease and the Site Lease without the consent of or notice to the Owners of the Certificates, for one or more of the following purposes:

(1) to add covenants of the Trustee or the Town or to grant additional powers or rights to the Trustee;

(2) to make any amendments necessary or desirable to obtain or maintain a rating from any Rating Agency of the Certificates;

(3) in order to more precisely identify the Leased Property, including any substitutions, additions or modifications to the Leased Property as the case may be, as may be authorized under the Site Lease and the Lease;

(4) to make additions to the Leased Property, amend the schedule of Base Rentals and make all other amendments necessary for the execution and delivery of Additional Certificates in accordance with Section 2.08 of the Indenture;

(5) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals allocable to the Certificates; or

(6) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in any amendment thereto or to make such other amendments to the Lease or the Site Lease which do not materially adversely affect the interests of the Owners of the Certificates.

(b) If Town proposes to amend the Lease or the Site Lease in such a way as would materially adversely affect the interests of the Owners of the Certificates, the Trustee shall notify the Owners of the Certificates of the proposed amendment and may consent thereto only with the consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; provided, that the Trustee shall not, without the unanimous consent of the Owners of all Certificates Outstanding, consent to any amendment which would (1) decrease the amounts payable in respect of the Lease, or (2) change the Base Rentals Payment Dates or (3) change any of the prepayment provisions of the Lease.

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## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Town or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.*

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of April 26, 2023 (this “Disclosure Certificate”) is executed and delivered by the Town of Frisco, Colorado, a duly organized and existing home rule municipality of the State of Colorado, (the “Town”), in connection with its authorization, execution and delivery of a Lease Purchase Agreement, dated as of April 26, 2023 (the “Lease”), between UMB Bank, N.A., solely in its capacity as trustee under the Indenture described herein (the “Trustee”), as lessor, and the Town, as lessee, and the execution and delivery of Certificates of Participation, Series 2023, in the aggregate principal amount of \$6,350,000 (the “Certificates”), evidencing proportionate interests in the right to receive certain revenues payable by the Town under the Lease. The Certificates are being executed and delivered pursuant to an Indenture of Trust, dated as of April 26, 2023, (the “Indenture”), by the Trustee. The Town covenants and agrees as follows:

**SECTION 1. Purpose of this Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Lease or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Fiscal Year” shall mean the period beginning on January 1 and ending on December 31, or such other 12-month period as may be adopted by the Issuer in accordance with law.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, which is currently available at <http://emma.msrb.org>.

“Official Statement” means the final Official Statement prepared in connection with the Certificates.

“Participating Underwriter” shall mean the original underwriter of the Certificates required to comply with the Rule in connection with an offering of the Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as in effect on the date of this Disclosure Certificate.

**SECTION 3. Provision of Annual Reports.**

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer’s fiscal year, commencing nine (9) months following the end of the Issuer’s fiscal year ending December 31, 2022, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer has selected one). The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, file or cause to be filed with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit A.

**SECTION 4. Content of Annual Reports.** The Issuer’s Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements, if any, prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, audited financial statements will be provided when and if available.

(b) An update of the type of information identified in Exhibit B hereto, which is contained in the tables in the Official Statement with respect to the Certificates.

Any or all of the items listed above may be incorporated by reference from other documents (including official statements), which are available to the public on the MSRB’s Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

**SECTION 5. Reporting of Listed Events.** The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the events listed below with respect to the Certificates. All of the events currently mandated by the Rule are listed below; however, some may not apply to the Certificates.

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, *if material*;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to rights of bondholders, *if material*;
- (8) Bond calls, *if material*, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Certificates, *if material*;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;\*
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, *if material*;
- (15) Incurrence of a financial obligation\*\* of the obligated person, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms

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\* For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

\*\*For purposes of the events identified in subparagraphs (b)(5)(i)(C)(15) and (16) of the Rule, the term “financial obligation” is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule. In complying with Listed Events (15) and (16), the Town intends to apply the guidance provided by the Rule or other applicable federal securities law, SEC Release No. 34-83885 (August 20, 2018) and any future guidance provided by the SEC or its staff.

of a financial obligation of the obligated person, any of which affect security holders, *if material*; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

**SECTION 6. Format; Identifying Information.** All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

**SECTION 7. Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Certificates; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates.

**SECTION 8. Dissemination Agent.**

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Issuer elects not to appoint a successor Dissemination Agent, it shall perform the duties thereof under this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and any other agreement between the Issuer and the Dissemination Agent.

(b) In addition to the filing duties on behalf of the Issuer described in this Disclosure Certificate, the Dissemination Agent shall:

(1) each year, prior to the date for providing the Annual Report, determine the appropriate electronic format prescribed by the MSRB;

(2) send written notice to the Issuer at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) certify in writing to the Issuer that the Annual Report has been provided pursuant to this Disclosure Certificate and the date it was provided.

(4) If the Annual Report (or any portion thereof) is not provided to the MSRB by the date required in Section (3)(a), the Dissemination Agent shall file with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit A.

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Certificates, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates and shall create no rights in any other person or entity.

[Remainder of Page Intentionally Left Blank]

Executed on the date first written above.

**TOWN OF FRISCO, COLORADO**

By \_\_\_\_\_  
Mayor

## **EXHIBIT A**

### **NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Town of Frisco, Colorado

Name of Issue: Certificates of Participation, Series 2023, in the aggregate principal amount of \$6,350,000 (the “Certificates”), each evidencing proportionate interests in the right to receive certain revenues payable by the Town of Frisco, Colorado, under a Lease Purchase Agreement dated as of April 26, 2023, between UMB Bank, N.A. (the “Trustee”), as lessor, and the Town, as lessee.

CUSIP Number: 35876PCC3

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated April 26, 2023. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

TOWN OF FRISCO, COLORADO

**EXHIBIT B**

**OFFICIAL STATEMENT TABLES TO BE UPDATED**

See page iv of the Official Statement

**APPENDIX E**  
**FORM OF OPINION OF SPECIAL COUNSEL**

Town of Frisco, Colorado  
1 Main Street  
P. O. Box 4100  
Frisco, Colorado 80443

**\$6,350,000**  
**Certificates of Participation, Series 2023**  
**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually**  
**Renewable Lease Purchase Agreement dated as of April 26, 2023**  
**between UMB BANK, N.A.,**  
**solely in its capacity as trustee under the Indenture, as lessor,**  
**and the TOWN OF FRISCO, COLORADO, as lessee**

Ladies and Gentlemen:

We have acted as special counsel to the Town of Frisco, Colorado (the "Town") in connection with its authorization, execution and delivery of the Site Lease Agreement, dated as of April 26, 2023 (the "Site Lease"), among the Town, as lessor, and UMB Bank, N.A., solely in its capacity as trustee (the "Trustee") under the Indenture (as hereinafter defined), as lessee, and the Lease Purchase Agreement, dated as April 26, 2023 (the "Lease"), between the Trustee, as lessor, and the Town, as lessee. Certificates of Participation, Series 2023, in the aggregate principal amount of \$6,350,000 (the "Certificates"), dated April 26, 2023, are authorized under an Indenture of Trust, dated as of April 26, 2023 (the "Indenture"), executed and delivered by the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Lease and the Indenture. The Certificates evidence proportionate interests in the Base Rentals and certain other revenues paid under the Lease, as provided in the Certificates, the Lease and the Indenture.

In such capacity as special counsel, we have examined certified proceedings of the Town Council, the Site Lease, the Lease, the Indenture, the Certificates, and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter.

Regarding questions of fact material to our opinions, we have relied upon the certified proceedings of the Town, certifications of the Trustee, certifications of the Underwriter, and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, and subject to the following qualifications, it is our opinion as special counsel that:

1. The Site Lease has been duly authorized by the Town and duly executed and delivered by authorized officials of the Town and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Town. The Lease has been duly authorized by the Town and duly executed and delivered by authorized officials of the Town and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid

and binding obligation of the Town. None of the Site Lease, the Lease, or the Certificates constitutes a general obligation, other indebtedness or multiple fiscal year financial obligation of the Town within the meaning of any constitutional, home rule charter, or statutory debt limitation. Notwithstanding the foregoing, the Town's failure specifically to budget and appropriate funds to make payments due under the Lease for the ensuing Fiscal Year will extinguish the obligations of the Town to pay Base Rentals and Additional Rentals beyond the then current Fiscal Year.

2. Assuming the due authorization, execution, and delivery of the Site Lease, the Lease, and the Indenture by the Trustee, and the due execution and delivery of the Certificates by the Trustee, the Certificates evidence valid and binding proportionate interests in the right to receive certain payments under the Lease.

3. The portion of the Base Rentals which is designated in the Lease as interest and paid as interest on the Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, and is excludable from Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date hereof; except that we express no opinion as to the effect which any termination of the Town's obligations under the Lease may have upon the treatment for federal or Colorado income tax purposes of any moneys received or paid under the Indenture subsequent to such termination. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Town's certified proceedings and in certain other documents and certain other certifications furnished to us.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Certificates and the enforceability of the Certificates, the Site Lease and the Lease are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In rendering the foregoing opinions, we are not opining upon matters relating to the corporate status of the Trustee, the power of the Trustee to execute or deliver the Site Lease, the Lease, the Indenture or the Certificates, or the enforceability of the Site Lease, the Lease, the Indenture or the Certificates against the Trustee.

In this opinion letter issued in our capacity as special counsel, we are opining only upon those matters set forth herein and we are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Certificates or any other statements made in connection with any offer or sale of the Certificates, or upon any federal or state tax consequences arising from the receipt or accrual of interest with respect to, or the rights and obligations under, the Site Lease, the Lease, or the Certificates, except those specifically addressed above, or upon any matters pertaining to the priority of any security instrument executed in connection with this transaction, the existence of any liens or other encumbrances on the Leased Property, the ownership of or proper description of any property included in the Leased Property, or any other real estate matters related to the Leased Property.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,