

STEAMBOAT II METROPOLITAN DISTRICT

Financial Statements

December 31, 2019

STEAMBOAT II METROPOLITAN DISTRICT

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Independent Auditor's Report

Board of Directors
Steamboat II Metropolitan District
Routt County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Steamboat II Metropolitan District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Steamboat II Metropolitan District as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2019. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3-5, the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 34, the defined benefit pension plan schedules on pages 35-36, and the OPEB plan schedules on pages 37-38 as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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. generally accepted auditing standards, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Enterprise Fund Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual on page 39 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Steamboat Springs, Colorado
July 9, 2020

Steamboat II Metropolitan District

Management Discussion and Analysis

December 31, 2019

As management of Steamboat II Metropolitan District (the “District”), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2019.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator on whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net positions changed during the most recent year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of District revenues that are principally supported by taxes, user and tap fees and other revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds to the District can be divided into two categories; governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District has one governmental fund – the General Fund to account the parks and recreation activities of the District.

Proprietary Funds

Proprietary (Enterprise) funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District maintains one Enterprise Fund to account for its water and sanitation operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current assets	\$ 314,394	\$ 1,325,140	\$ 1,639,534	\$ 315,821	\$ 1,363,750	\$ 1,679,571
Capital assets, net	153,456	905,771	1,059,227	146,367	951,487	1,097,854
Total assets	467,850	2,230,911	2,698,761	462,188	2,315,237	2,777,425
Deferred outflows of resources:						
Related to pension and OPEB	37,830	41,530	79,360	29,311	43,734	73,045
Liabilities:						
Current liabilities	-	19,650	19,650	-	28,332	28,332
Noncurrent liabilities:						
Net pension liability	144,598	158,736	303,334	158,696	236,778	395,474
Net OPEB liability	12,134	13,323	25,457	14,392	21,476	35,868
Total liabilities	156,732	191,709	348,441	173,088	286,586	459,674
Deferred inflows of resources:						
Deferred property tax revenue	226,479	140,353	366,832	180,310	132,261	312,571
Related to pension and OPEB	41,003	45,012	86,015	4,650	4,659	9,309
Total deferred inflows of resources	267,482	185,365	452,847	184,960	136,920	321,880
Net position:						
Invested in capital assets	153,456	905,771	1,059,227	146,367	951,487	1,097,854
Restricted	-	23,124	23,124	-	23,579	23,579
Unrestricted	(71,990)	966,472	894,482	(79,657)	957,795	878,138
Total net position	81,466	1,895,367	1,976,833	66,710	1,932,861	1,999,571
Program revenues:						
Charges for services	-	404,058	404,058	-	415,072	415,072
Capital grants & contributions	-	1,654	1,654	-	13,342	13,342
Total program revenues	-	405,712	405,712	-	428,414	428,414
General revenues:						
Taxes	220,614	114,192	334,806	180,258	158,351	338,609
Other	6,702	26,383	33,085	5,852	13,102	18,954
Total general revenues	227,316	140,575	367,891	186,110	171,453	357,563
Total revenues	227,316	546,287	773,603	186,110	599,867	785,977
Expenses:						
Parks and recreation	212,560	-	212,560	166,834	-	166,834
Water and sanitation	-	474,769	474,769	-	522,903	522,903
Administration	-	109,012	109,012	-	102,935	102,935
Total expenses	212,560	583,781	796,341	166,834	625,838	792,672
Interfund transfer	-	-	-	300,000	(300,000)	-
Change in net position	14,756	(37,494)	(22,738)	319,276	(325,971)	(6,695)
Beginning net position	66,710	1,932,861	1,999,571	(240,640)	2,276,647	2,036,007
Change in accounting principles	-	-	-	(11,926)	(17,815)	(29,741)
Ending net position	\$ 81,466	\$ 1,895,367	\$ 1,976,833	\$ 66,710	\$ 1,932,861	\$ 1,999,571

Fund Analysis

The District has a single governmental fund, the General Fund. At the end of 2019, the General Fund balance was \$87,915.

The District has a single proprietary fund, the Enterprise Fund, accounting for water and sanitation operations. At the end of 2019, the Enterprise Fund balance was \$1,895,367.

Budgetary Highlights

Development is gaining activity within the District resulting in higher tap fees.

Capital Assets.

The District's investment in capital assets for its governmental and business type activities as of December 31, 2019 totals \$1,059,227 (net of accumulated depreciation). This investment includes all land, buildings, machinery, equipment, and infrastructure.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Steamboat II Metropolitan District P.O. Box 771277, Steamboat Springs, CO 80477 or you may call 970 879-7671.

STEAMBOAT II METROPOLITAN DISTRICT
Statement of Net Position
December 31, 2019
(with summarized financial information as of December 31, 2018)

	2019			2018 Total
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 87,915	\$ 1,143,864	\$ 1,231,779	\$ 1,321,802
Accounts receivable	-	39,031	39,031	41,561
Due from other governments	-	1,892	1,892	2,454
Property taxes receivable	226,479	140,353	366,832	313,754
Capital assets, net	153,456	905,771	1,059,227	1,097,854
Total assets	467,850	2,230,911	2,698,761	2,777,425
Deferred Outflows of Resources:				
Deferred outflows related to pension plan	36,682	40,269	76,951	68,088
Deferred outflows related to OPEB plan	1,148	1,261	2,409	4,957
Total deferred outflows of resources	37,830	41,530	79,360	73,045
Liabilities:				
Accounts payable	-	19,650	19,650	28,332
Noncurrent liabilities:				
Due in more than one year:				
Net pension liability	144,598	158,736	303,334	395,474
Net OPEB liability	12,134	13,323	25,457	35,868
Total liabilities	156,732	191,709	348,441	459,674
Deferred Inflows of Resources:				
Deferred property tax revenues	226,479	140,353	366,832	313,754
Deferred inflows related to pension plan	37,548	41,220	78,768	76,871
Deferred inflows related to OPEB plan	3,455	3,792	7,247	600
Total deferred inflows of resources	267,482	185,365	452,847	391,225
Net Position:				
Net investment in capital assets	153,456	905,771	1,059,227	1,097,854
Restricted for:				
Emergencies	-	23,124	23,124	23,579
Unrestricted	(71,990)	966,472	894,482	878,138
Total net position	\$ 81,466	\$ 1,895,367	\$ 1,976,833	\$ 1,999,571

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Statement of Activities
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

Functions/Programs	2019						2018 Total
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:							
Parks and recreation	\$ 212,560	\$ -	\$ -	\$ (212,560)	\$ -	\$ (212,560)	\$ (166,834)
Total governmental activities	212,560	-	-	(212,560)	-	(212,560)	(166,834)
Business-type Activities:							
Water and sanitation	474,769	404,058	1,654	-	(69,057)	(69,057)	(94,489)
Administrative	109,012	-	-	-	(109,012)	(109,012)	(102,935)
Total business-type activities	583,781	404,058	1,654	-	(178,069)	(178,069)	(197,424)
Total primary government	<u>\$ 796,341</u>	<u>\$ 404,058</u>	<u>\$ 1,654</u>	(212,560)	(178,069)	(390,629)	(364,258)
General Revenues:							
Taxes:							
Property				220,614	93,141	313,755	312,483
Specific ownership				-	21,051	21,051	26,126
Intergovernmental				6,702	-	6,702	5,852
Interest				-	19,883	19,883	13,102
Gain on disposal of capital assets				-	6,500	6,500	-
Total general revenues				<u>227,316</u>	<u>140,575</u>	<u>367,891</u>	<u>357,563</u>
Change in net position				14,756	(37,494)	(22,738)	(6,695)
Net position, beginning of year				66,710	1,932,861	1,999,571	2,036,007
Change in accounting principles				-	-	-	(29,741)
Net position, end of year				<u>\$ 81,466</u>	<u>\$ 1,895,367</u>	<u>\$ 1,976,833</u>	<u>\$ 1,999,571</u>

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
General Fund
Balance Sheet
December 31, 2019
(with summarized financial information as of December 31, 2018)

	2019	2018
Assets:		
Cash and cash equivalents	\$ 87,915	\$ 95,208
Property taxes receivable	226,479	220,613
Total assets	\$ 314,394	\$ 315,821
Liabilities, Deferred Inflows of Resources and Fund Balance:		
Liabilities:	\$ -	\$ -
Total liabilities	-	-
Deferred inflows of resources:		
Deferred property tax revenues	226,479	220,613
Total deferred inflows of resources	226,479	220,613
Fund balance:		
Committed	87,915	95,208
Total fund balance:	87,915	95,208
Total liabilities, deferred inflows of resources and fund balance	\$ 314,394	\$ 315,821

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2019

Governmental fund balance	\$	87,915
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental fund:</p>		
Costs of capital assets	\$ 400,799	
Less accumulated depreciation	<u>(247,343)</u>	153,456
<p>Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the governmental fund:</p>		
Net pension liability		(144,598)
Deferred inflows related to pension plan		(37,548)
Deferred outflows related to pension plan		36,682
Net OPEB liability		(12,134)
Deferred inflows related to OPEB plan		(3,455)
Deferred outflows related to OPEB plan		<u>1,148</u>
Net position of governmental activities	\$	<u><u>81,466</u></u>

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
Revenues:		
Property taxes	\$ 220,614	\$ 180,258
Intergovernmental	6,702	5,852
Total revenues	227,316	186,110
Expenditures:		
Parks and recreation	213,776	151,681
Capital outlay	20,833	19,848
Total expenditures	234,609	171,529
Excess of revenues over expenditures	(7,293)	14,581
Other financing sources:		
Interfund transfer	-	300,000
Change in fund balance	(7,293)	314,581
Fund balance (deficit), beginning of year	95,208	(219,373)
Fund balance, end of year	\$ 87,915	\$ 95,208

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2019

Changes in fund balance - governmental fund \$ (7,293)

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 and reported as depreciation expense:

Capital outlay	\$	20,833	
Depreciation		<u>(13,744)</u>	7,089

In the governmental fund, expenditures for the defined benefit pension and OPEB plans are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension and OPEB liabilities and related deferred inflows and outflows changed during the current year.

14,960

Change in net position of governmental activities \$ 14,756

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Net Position
December 31, 2019
(with summarized financial information as of December 31, 2018)

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,143,864	\$ 1,226,594
Accounts receivable	39,031	41,561
Due from other government	1,892	2,454
Property taxes receivable	140,353	93,141
Total current assets	1,325,140	1,363,750
Noncurrent assets:		
Capital assets, net of accumulated depreciation	905,771	951,487
Total noncurrent assets	905,771	951,487
Total assets	2,230,911	2,315,237
Deferred Outflows of Resources:		
Deferred outflows related to pension	40,269	29,613
Deferred outflows related to OPEB plan	1,261	2,968
Total deferred outflows of resources	41,530	32,581
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	19,650	28,332
Total current liabilities	19,650	28,332
Noncurrent liabilities:		
Net pension liability	158,736	236,778
Net OPEB liability	13,323	21,476
Total noncurrent liabilities	172,059	258,254
Total liabilities	191,709	286,586
Deferred Inflows of Resources:		
Deferred property tax revenues	140,353	93,141
Deferred inflows related to pension	41,220	34,871
Deferred inflows related to OPEB plan	3,792	359
Total deferred inflows of resources	185,365	128,371
Net Position:		
Net investment in capital assets	905,771	951,487
Restricted for emergencies	23,124	23,579
Unrestricted	966,472	957,795
Total net position	\$ 1,895,367	\$ 1,932,861

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
Operating Revenues:		
Charges for services	\$ 404,058	\$ 415,072
Total operating revenues	404,058	415,072
Operating Expenses:		
Operations	416,450	463,870
Administrative	109,012	102,935
Depreciation	55,522	55,116
Total operating expenses	580,984	621,921
Operating income (loss)	(176,926)	(206,849)
Non-Operating Revenues (Expenses):		
Taxes	114,192	158,351
Interest income	19,883	13,102
Gain on disposal of capital assets	6,500	-
Other expense	(2,797)	(3,917)
Net non-operating revenues	137,778	167,536
Income before contributions and transfers	(39,148)	(39,313)
Contributions and Transfers:		
Tap fees	1,654	13,342
Interfund transfer	-	(300,000)
Change in net position	(37,494)	(325,971)
Net position, beginning of year	1,932,861	2,276,647
Change in accounting principles	-	(17,815)
Net position, end of year	\$ 1,895,367	\$ 1,932,861

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
Cash Flows From Operating Activities:		
Cash received from customers	\$ 406,588	\$ 411,213
Cash paid to suppliers of goods and services	(517,300)	(378,882)
Cash paid to employees	(102,206)	(96,992)
Net cash provided (used) by operating activities	(212,918)	(64,661)
Cash Flows From Non-Capital Financing Activities:		
Cash receipts from taxes	114,754	157,831
Cash payments for tax collection fees	(2,797)	(3,917)
Net payments (to) from general fund	-	(80,627)
Net cash provided by non-capital financing activities	111,957	73,287
Cash Flows From Capital and Related Financing Activities:		
Tap fees collected, including amounts due to City	1,654	34,145
Payments of tap fees to City	-	(20,803)
Proceeds from disposal of capital assets	6,500	-
Purchase of capital assets	(9,806)	-
Net cash provided (used) by capital and related financing activities	(1,652)	13,342
Cash Flows From Investing Activities:		
Interest received	19,883	13,102
Net cash provided by investing activities	19,883	13,102
Net change in cash and cash equivalents	(82,730)	35,070
Cash and cash equivalents, beginning of year	1,226,594	1,191,524
Cash and cash equivalents, end of year	\$ 1,143,864	\$ 1,226,594
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (176,926)	\$ (206,849)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	55,522	55,116
Defined benefit pension plan accruals	(82,349)	79,675
Defined benefit OPEB plan accruals	(3,013)	1,052
(Increase) decrease in:		
Accounts receivable	2,530	(3,859)
Prepaid expense	-	13,843
(Decrease) increase in:		
Accounts payable and accrued expenses	(8,682)	(3,639)
Net cash provided (used) by operating activities	\$ (212,918)	\$ (64,661)

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2019
(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 1: Summary of Significant Accounting Policies

The Steamboat II Metropolitan District (the District) was originally organized as the Steamboat II Water and Sanitation District and was established as a political subdivision of the State of Colorado pursuant to the Colorado Special District Act. On November 4, 1997, voters approved a referendum allowing the Steamboat II Water and Sanitation District to become the Steamboat II Metropolitan District, with the powers and duties of a metropolitan district. An elected Board of Directors governs the District. The District provides water and sanitation services and provides construction and maintenance of parks and recreation facilities. The District's service area is located within Routt County, Colorado.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The government-wide financial statements and proprietary (enterprise) fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues collected within 60 days after year end to be available and thus recognizes them as revenues in the current year.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information about the nonfiduciary activities of the District. The District's activities are categorized as either governmental activities or business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental functions and business-type activities. The governmental functions are supported by general revenues (e.g., taxes, interest). The statement of activities reduces gross expenses (including depreciation) by related program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenues include (a) charges for services and (b) grants and contributions that are restricted for the operating or capital requirements of a specific program. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2019
(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The fund financial statements report information about the District's funds.

The District reports the following major governmental fund:

The *General Fund* is used to account for the District's parks and recreation activities. The primary source of revenue is from an allocation of property taxes.

The District reports the following major proprietary or business-type fund:

The *Enterprise Fund* accounts for the activities of the water and sewer services provided to the District's residents. The major sources of revenue are from charges for services and an allocation of property taxes.

Fund Balance Presentation

Fund balances of the governmental fund are classified as follows:

- Non-spendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- Committed – includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the District. Such formal action may be in the form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- Assigned – includes amounts that are intended by the District to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the Board of Directors.
- Unassigned – represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts on deposit with financial institutions, and certificates of deposit.

Accounts Receivable

Accounts receivable consist primarily of amounts due from residents for services provided by the District. Receivables are reviewed periodically to establish an allowance for uncollectible accounts. The District considers all receivables to be fully collectible as of December 31, 2019 and 2018. Therefore, no allowance for uncollectible accounts has been established.

Capital Assets

Capital assets include the water system, buildings, vehicles, equipment and easements. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water system	10-40
Buildings	40
Equipment and vehicles	5-20

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2019
(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The District's deferred outflows of resources relate to the net pension liability and net OPEB liability.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of unavailable revenues from property taxes, the net pension liability and net OPEB liability.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the District on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures/expenses. Actual results could differ from these estimates.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with US GAAP for the General Fund. The Enterprise Fund adopts a budget on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. All annual appropriations lapse at year end.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 2: Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The District adopted the following supplemental budget appropriations for the year ended December 31, 2019:

- General Fund expenditure appropriations were increased by \$5,000 for repairs to capital assets and was funded from available fund balance.
- Enterprise Fund expenditure appropriations were increased by \$117,442 for a valve replacement project and was funded from available fund balance.

Compliance

Expenditures in the General Fund exceeded appropriations by \$3,996 during the year ended December 31, 2019. The excess expenditures were for general operating activities and funded from available General Fund balance.

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 tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. 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.

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

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 requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$23,124 of the December 31, 2019 Enterprise Fund balance for this purpose.

The District's voters passed a ballot question on May 2, 2000, authorizing the District to collect, retain and expend the full proceeds of the District's tax levy, non-federal grants and all other revenues for the 2000 fiscal year and every year thereafter.

The District'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 may require judicial interpretation.

Note 3: Detailed Notes on the Funds

Deposits

The carrying amount of the District's deposits as of December 31, 2019 and 2018 was \$1,231,705 and \$1,321,728, respectively, and bank balances were \$1,250,564 and \$1,321,728. Of the bank balances, \$303,630 and \$555,101 as of December 31, 2019 and 2018, respectively, was covered by federal deposit insurance and \$946,934 and \$757,412, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The PDPA requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the aggregate uninsured deposits.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 3: Detailed Notes on the Funds (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2019 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Equipment and vehicles	\$ 290,377	\$ 20,833	\$ (3,500)	\$ 307,710
Buildings	93,089	-	-	93,089
Less accumulated depreciation	<u>(237,099)</u>	<u>(13,744)</u>	<u>3,500</u>	<u>(247,343)</u>
Governmental activities capital assets, net	<u>\$ 146,367</u>	<u>\$ 7,089</u>	<u>\$ -</u>	<u>\$ 153,456</u>
Business-type activities:				
Easements	\$ 1,500	\$ -	\$ -	\$ 1,500
Other capital assets:				
Water system	2,555,720	-	(765)	2,554,955
Equipment	164,377	9,806	(27,978)	146,205
Buildings	95,488	-	-	95,488
Total other capital assets at cost	<u>2,815,585</u>	<u>9,806</u>	<u>(28,743)</u>	<u>2,796,648</u>
Less accumulated depreciation for:				
Water system	(1,716,948)	(38,876)	765	(1,755,059)
Equipment	(122,312)	(13,821)	27,978	(108,155)
Buildings	(26,338)	(2,825)	-	(29,163)
Total accumulated depreciation	<u>(1,865,598)</u>	<u>(55,522)</u>	<u>28,743</u>	<u>(1,892,377)</u>
Other capital assets, net	<u>949,987</u>	<u>(45,716)</u>	<u>-</u>	<u>904,271</u>
Business-type activities capital assets, net	<u>\$ 951,487</u>	<u>\$ (45,716)</u>	<u>\$ -</u>	<u>\$ 905,771</u>

Depreciation expense was charged to functions of the District as follows during 2019:

	2019	2018
Governmental activities:		
Parks and recreation	<u>\$ 13,744</u>	<u>\$ 14,226</u>
Business-type activities:		
Water and sanitation	<u>\$ 55,522</u>	<u>\$ 55,116</u>

Governmental Fund Balance

The District has no restricted governmental fund balance as of December 31, 2019 as all Colorado Lottery proceeds from the State of Colorado Conservation Trust Fund were expended for parks and recreation activities prior to the end of year.

The District commits the following fund balance by establishing separate governmental funds:

- General Fund to account for the parks and recreation activities of the District funded by property taxes.

When expenditures are incurred and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2019
(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension 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 LGDTF 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB -18-200 for the LGDTF that were in effect on the LGDTF's December 31, 2018 measurement date are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates for the LGDTF by a total of 2% (to be phased in over a period of 3 years starting July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distributions from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to members of the Local Government Division hired on or after January 1, 2019. Beginning January 1, 2020, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

General Information About the Pension Plan

Plan Description. Eligible employees of the District are provided with pensions through the LGDTF. Plan benefits are specified in Title 24, Article 51 of CRS, administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 24-51-602, 604, 1713, and 1714.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

General Information About the Pension Plan (continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the CRS. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year up to 0.25% based on the parameters specified CRS § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, et seq and § 24-51-413. Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements, as a percentage of salary, are summarized as follows:

Employer contribution rate	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f)	<u>-1.02%</u>
Amount apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS § 24-51-411	<u>1.50%</u>
Total Employer Contribution Rate to the LGDTF	<u><u>12.68%</u></u>

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$24,765 and \$20,542, respectively, for the years ended December 31, 2019 and 2018.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pension

As of December 31, 2019, the District reported a net pension liability of \$303,334 for its proportionate share of the collective net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

As of December 31, 2018, the District proportion was 0.024127%, which was a decrease of 0.011391% from its proportion measured as of December 31, 2017.

For the years ended December 31, 2019 and 2018, the District recognized pension expense (revenue) of (\$74,341) and \$100,426, respectively. As of December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,683	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual investment earnings	39,503	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	78,768
Contributions subsequent to the measurement date	<u>24,765</u>	<u>-</u>
 Total	 <u>\$ 76,951</u>	 <u>\$ 78,768</u>

The deferred outflows of resources of \$24,765 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2019	\$ (34,650)
2020	(15,696)
2021	2,201
2022	<u>21,563</u>
	<u>\$ (26,582)</u>

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 - 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

The revised assumptions show below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term results that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including schedule increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Discount Rate:	Sensitivity of the NPL		
	6.25%	7.25%	8.25%
Proportionate share of the NPL	\$ 464,038	\$ 303,334	\$ 168,889

Pension Plan Fiduciary Net Position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2019. During the 2019 legislative session, the Colorado General Assembly passed HB 19-1217: *PERA Public Employees' Retirement Association Local Government Division Member Contribution Rate*. The bill was signed into law by Governor Polis on May 20, 2019 and eliminates the 2% increase in the contribution rate for members in the Local Government Division mandated by SB 18-200.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Contribution Pension Plan

Voluntary Investment Plan

Plan Description. Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Program provisions to the PERA Board. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions of up to a maximum limits set by the IRS, as established under Title 24, Article 51, Section 1402 of the CRS, as amended. In addition, the District has agreed to match employee contributions up to 3% of covered salary as determined by the IRS. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2019 and 2018, program members contributed \$4,761 and \$2,687, respectively, and the District recognized pension expense of \$4,761 and \$2,687, respectively, for the Voluntary Investment Program.

OPEB Plan

Summary of Significant Accounting Policies

OPEB. The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the OPEB Plan

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of CRS, as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

CRS § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, CRS § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$1,992 for the year ended December 31, 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of December 31, 2019 the District reported a liability of \$25,457 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

As of December 31, 2018, the District's proportion was 0.001871%, which was a decrease of 0.000889% from its proportion measured as of December 31, 2017.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

For the years ended December 31, 2019 and 2018, the District recognized OPEB expense of \$3,422 and \$776, respectively. As of December 31, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 92	\$ 39
Changes of assumptions or other inputs	179	-
Net difference between projected and actual investment earnings	146	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	7,208
Contributions subsequent to the measurement date	<u>1,992</u>	<u>-</u>
 Total	 <u>\$ 2,409</u>	 <u>\$ 7,247</u>

\$1,992 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2019	\$ (1,252)
2020	(1,252)
2021	(1,252)
2022	(1,151)
2023	(1,845)
2024	<u>(78)</u>
	<u>\$ (6,830)</u>

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

All costs are subject to the health care cost trend rates as described below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 24,754	\$ 25,457	\$ 26,266

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2019
(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Discount Rate:	Sensitivity of the Net OPEB Liability		
	6.25%	7.25%	8.25%
Proportionate share of the OPEB liability	\$ 28,484	\$ 25,457	\$ 22,869

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2019
(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 5: Other Information

Risk Management

The District 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. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Intergovernmental Agreement

The District has entered into a wastewater agreement and a regional water purchase agreement with the City of Steamboat Springs (City) whereby a portion of tap fees received by the District will be paid to the City. The funds are to be used for capital and debt expenses related to the Regional Wastewater Treatment Plant and the Fish Creek Water Treatment Plant. The District records these funds as a payable when received and as a reduction to the payable when paid to the City.

In 2003, the District and City entered into a Settlement Agreement that retroactively changed the calculation of the City's portion of tap fees collected by the District.

Commitments

Yamcolo Reservoir Storage Agreement

The District entered into an extension and amendment agreement with the Upper Yampa Water Conservancy District effective July 14, 2011 for 50 acre feet of storage water in the Yamcolo Reservoir for thirty years terminating July 15, 2041. The purchase price for the storage water was \$68.38 per acre foot in 2011 and is subject to an annual CPI increase thereafter. The District paid \$84.21 per acre foot of storage water for the year ended December 31, 2019.

Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including Colorado, have declared a state of emergency.

Although management continues to monitor and assess the effects of the COVID-19 pandemic on the District, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change.

The District has evaluated subsequent events through July 9, 2020, the date these financial statements were available to be issued.

STEAMBOAT II METROPOLITAN DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Property taxes	\$ 220,613	\$ 220,613	\$ 220,614	\$ 1
Intergovernmental	5,000	5,000	6,702	1,702
Total revenues	<u>225,613</u>	<u>225,613</u>	<u>227,316</u>	<u>1,703</u>
Expenditures:				
Parks and recreation:				
Wages and benefits	155,900	155,900	155,621	279
Operations	24,000	29,000	32,644	(3,644)
Tax collection fees	6,713	6,713	6,626	87
Repairs and maintenance	8,500	8,500	6,578	1,922
Other	15,500	15,500	12,307	3,193
Capital outlay	15,000	15,000	20,833	(5,833)
Total expenditures	<u>225,613</u>	<u>230,613</u>	<u>234,609</u>	<u>(3,996)</u>
Change in fund balance	-	(5,000)	(7,293)	<u>\$ (2,293)</u>
Fund balance, beginning of year	<u>95,208</u>	<u>95,208</u>	<u>95,208</u>	
Fund balance, end of year	<u>\$ 95,208</u>	<u>\$ 90,208</u>	<u>\$ 87,915</u>	

STEAMBOAT II METROPOLITAN DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share
of the Net Pension Liability
Local Government Division Trust Fund (LGDTF)
Last 10 Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0241%	0.0355%	0.0323%	0.0340%	0.0345%
District's proportionate share of the net pension liability	\$ 303,334	\$ 395,474	\$ 436,650	\$ 374,304	\$ 309,621
District's covered payroll	\$ 195,309	\$ 162,000	\$ 239,779	\$ 198,499	\$ 194,372
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.31%	244.12%	182.11%	188.57%	159.29%
Plan fiduciary net position as a percentage of the total pension liability	75.96%	79.37%	73.60%	76.87%	80.72%

* The amounts presented for each year were determined as of 12/31.

STEAMBOAT II METROPOLITAN DISTRICT
Required Supplementary Information
Schedule of the District Contributions
Local Government Division Trust Fund (LGDTF)
Last 10 Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 24,765	\$ 20,542	\$ 30,404	\$ 25,170	\$ 24,646
Contributions in relation to the contractually required contribution	<u>\$ (24,765)</u>	<u>\$ (20,542)</u>	<u>\$ (30,404)</u>	<u>\$ (25,170)</u>	<u>\$ (24,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 195,309	\$ 162,000	\$ 239,779	\$ 198,499	\$ 194,372
Contributions as a percentage of covered payroll	12.68%	12.68%	12.68%	12.68%	12.68%

STEAMBOAT II METROPOLITAN DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share
of the Net OPEB Liability
Health Care Trust Fund (HCTF)
Last 10 Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.001871%	0.002760%
District's proportionate share of the net OPEB liability	\$ 25,457	\$ 35,868
District's covered payroll	\$ 195,309	\$ 162,000
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	13.03%	22.14%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%

* The amounts presented for each year were determined as of 12/31.

STEAMBOAT II METROPOLITAN DISTRICT
Required Supplementary Information
Schedule of the District Contributions
Health Care Trust Fund (HCTF)
Last 10 Years*

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,992	\$ 1,652
Contributions in relation to the contractually required contribution	<u>\$ (1,992)</u>	<u>\$ (1,652)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 195,309	\$ 162,000
Contributions as a percentage of covered payroll	1.02%	1.02%

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Revenues, Expenditures and Changes in Net Position
Budget (Non-US GAAP Basis) and Actual With Reconciliation to US GAAP Basis
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance
Operating Revenues:				
Charges for services:				
Water	\$ 160,000	\$ 160,000	\$ 162,880	\$ 2,880
Sewer	235,000	235,000	240,749	5,749
Other	1,000	1,000	429	(571)
Total revenues	<u>396,000</u>	<u>396,000</u>	<u>404,058</u>	<u>8,058</u>
Expenditures:				
Operations:				
Wages and benefits	102,450	102,450	113,229	(10,779)
Water purchase	45,000	45,000	50,241	(5,241)
Wastewater treatment	183,000	183,000	201,252	(18,252)
Repairs and maintenance	25,000	142,442	111,428	31,014
Other	29,400	29,400	25,662	3,738
Administrative:				
Wages and benefits	31,000	31,000	27,806	3,194
Insurance	17,500	17,500	14,299	3,201
Rent and utilities	19,200	19,200	17,417	1,783
Professional fees	10,500	10,500	12,671	(2,171)
Office	14,250	14,250	23,292	(9,042)
Other	16,000	16,000	13,527	2,473
Capital outlay	10,000	10,000	-	10,000
Total expenditures	<u>503,300</u>	<u>620,742</u>	<u>610,824</u>	<u>9,918</u>
Operating loss - budget basis	<u>(107,300)</u>	<u>(224,742)</u>	<u>(206,766)</u>	<u>17,976</u>
Non-operating Revenues (Expenses):				
Taxes:				
Property	93,141	93,141	93,141	-
Specific ownership	15,000	15,000	21,051	6,051
Tap fees	-	-	1,654	1,654
Interest	12,000	12,000	19,883	7,883
Gain on disposal of capital assets	-	-	6,500	6,500
Tax collection fees	(2,794)	(2,794)	(2,797)	3
Total non-operating revenues	<u>117,347</u>	<u>117,347</u>	<u>139,432</u>	<u>22,091</u>
Change in net position - budget basis	10,047	(107,395)	(67,334)	<u>\$ 40,061</u>
Reconciliation to US GAAP basis:				
Depreciation			(55,522)	
Defined benefit pension plan accruals			82,349	
Defined benefit OPEB plan accruals			3,013	
Change in net position - US GAAP basis			<u>(37,494)</u>	
Net position, beginning of year	<u>1,932,861</u>	<u>1,932,861</u>	<u>1,932,861</u>	
Net position, end of year	<u>\$ 1,942,908</u>	<u>\$ 1,825,466</u>	<u>\$ 1,895,367</u>	