

STEAMBOAT II METROPOLITAN DISTRICT

Financial Statements

December 31, 2021

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 Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 District as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

GAAP requires that Management's Discussion and Analysis on pages 4-6, the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 37, the defined benefit pension plan schedules on pages 38-39, and the OPEB plan schedules on pages 40-41 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Enterprise Fund Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual on page 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Catterson + Company, P.C.

Steamboat Springs, Colorado
September 26, 2022

Steamboat II Metropolitan District

Management Discussion and Analysis

December 31, 2021

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, 2021.

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.

| | 2021 | | | 2020 | | |
|--|----------------------------|-----------------------------|---------------------|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Assets | | | | | | |
| Current assets | \$ 314,376 | \$ 1,313,931 | \$ 1,628,307 | \$ 317,216 | \$ 1,240,789 | \$ 1,558,005 |
| Capital assets, net | 157,229 | 974,421 | 1,131,650 | 147,040 | 977,401 | 1,124,441 |
| Total assets | 471,605 | 2,288,352 | 2,759,957 | 464,256 | 2,218,190 | 2,682,446 |
| Deferred outflows of resources: | | | | | | |
| Related to pension and OPEB | 53,838 | 68,683 | 122,521 | 20,280 | 26,162 | 46,442 |
| Liabilities: | | | | | | |
| Current liabilities | - | 60,347 | 60,347 | - | 47,613 | 47,613 |
| Noncurrent liabilities: | | | | | | |
| Net pension liability | 75,454 | 96,255 | 171,709 | 88,217 | 113,799 | 202,016 |
| Net OPEB liability | 10,500 | 13,398 | 23,898 | 10,382 | 13,395 | 23,777 |
| Total liabilities | 85,954 | 170,000 | 255,954 | 98,599 | 174,807 | 273,406 |
| Deferred inflows of resources: | | | | | | |
| Deferred property tax revenue | 240,225 | 148,871 | 389,096 | 226,639 | 140,453 | 367,092 |
| Related to pension and OPEB | 84,980 | 108,409 | 193,389 | 39,501 | 50,955 | 90,456 |
| Total deferred inflows of resources | 325,205 | 257,280 | 582,485 | 266,140 | 191,408 | 457,548 |
| Net position: | | | | | | |
| Invested in capital assets | 157,229 | 974,421 | 1,131,650 | 147,040 | 977,401 | 1,124,441 |
| Restricted | - | 29,246 | 29,246 | - | 25,999 | 25,999 |
| Unrestricted | (42,945) | 926,088 | 883,143 | (27,243) | 874,737 | 847,494 |
| Total net position | 114,284 | 1,929,755 | 2,044,039 | 119,797 | 1,878,137 | 1,997,934 |
| Program revenues: | | | | | | |
| Charges for services | - | 440,218 | 440,218 | - | 441,606 | 441,606 |
| Capital grants & contributions | - | 129,526 | 129,526 | - | 11,735 | 11,735 |
| Total program revenues | - | 569,744 | 569,744 | - | 453,341 | 453,341 |
| General revenues: | | | | | | |
| Taxes | 226,466 | 166,396 | 392,862 | 226,299 | 163,663 | 389,962 |
| Other | 7,148 | 20,829 | 27,977 | 6,134 | 17,180 | 23,314 |
| Total general revenues | 233,614 | 187,225 | 420,839 | 232,433 | 180,843 | 413,276 |
| Total revenues | 233,614 | 756,969 | 990,583 | 232,433 | 634,184 | 866,617 |
| Expenses: | | | | | | |
| Parks and recreation | 239,127 | - | 239,127 | 194,102 | - | 194,102 |
| Water and sanitation | - | 586,450 | 586,450 | - | 528,402 | 528,402 |
| Administration | - | 118,901 | 118,901 | - | 123,012 | 123,012 |
| Total expenses | 239,127 | 705,351 | 944,478 | 194,102 | 651,414 | 845,516 |
| Interfund transfer | - | - | - | - | - | - |
| Change in net position | (5,513) | 51,618 | 46,105 | 38,331 | (17,230) | 21,101 |
| Beginning net position | 119,797 | 1,878,137 | 1,997,934 | 81,466 | 1,895,367 | 1,976,833 |
| Ending net position | \$ 114,284 | \$ 1,929,755 | \$ 2,044,039 | \$ 119,797 | \$ 1,878,137 | \$ 1,997,934 |

Fund Analysis

The District has a single governmental fund, the General Fund. At the end of 2021, the General Fund balance was \$74,151.

The District has a single proprietary fund, the Enterprise Fund, accounting for water and sanitation operations. At the end of 2021, the Enterprise Fund balance was \$1,929,755.

Budgetary Highlights

Infrastructure is aging and repairs are necessary but lack the funding. A supplemental budget was created to pull monies from the reserves to pay for the repairs.

Capital Assets.

The District's investment in capital assets for its governmental and business type activities as of December 31, 2021 totals \$1,131,650 (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, 2021
(with summarized financial information as of December 31, 2020)

| | 2021 | | | 2020 Total |
|---|----------------------------|-----------------------------|---------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 74,151 | \$ 1,109,459 | \$ 1,183,610 | \$ 1,114,575 |
| Accounts receivable | - | 35,284 | 35,284 | 57,392 |
| Due from other governments | - | 1,743 | 1,743 | 1,928 |
| Property taxes receivable | 240,225 | 148,871 | 389,096 | 367,092 |
| Prepaid expense | - | 18,574 | 18,574 | 17,018 |
| Capital assets, net | 157,229 | 974,421 | 1,131,650 | 1,124,441 |
| Total assets | 471,605 | 2,288,352 | 2,759,957 | 2,682,446 |
| Deferred Outflows of Resources: | | | | |
| Deferred outflows related to pension plan | 51,680 | 65,929 | 117,609 | 43,757 |
| Deferred outflows related to OPEB plan | 2,158 | 2,754 | 4,912 | 2,685 |
| Total deferred outflows of resources | 53,838 | 68,683 | 122,521 | 46,442 |
| Liabilities: | | | | |
| Accounts payable | - | 46,055 | 46,055 | 47,613 |
| Due to other government | - | 14,292 | 14,292 | - |
| Noncurrent liabilities: | | | | |
| Due in more than one year: | | | | |
| Net pension liability | 75,454 | 96,255 | 171,709 | 202,016 |
| Net OPEB liability | 10,500 | 13,398 | 23,898 | 23,777 |
| Total liabilities | 85,954 | 170,000 | 255,954 | 273,406 |
| Deferred Inflows of Resources: | | | | |
| Deferred property tax revenues | 240,225 | 148,871 | 389,096 | 367,092 |
| Deferred inflows related to pension plan | 81,599 | 104,095 | 185,694 | 82,943 |
| Deferred inflows related to OPEB plan | 3,381 | 4,314 | 7,695 | 7,513 |
| Total deferred inflows of resources | 325,205 | 257,280 | 582,485 | 457,548 |
| Net Position: | | | | |
| Net investment in capital assets | 157,229 | 974,421 | 1,131,650 | 1,124,441 |
| Restricted for: | | | | |
| Emergencies | - | 29,246 | 29,246 | 25,999 |
| Unrestricted | (42,945) | 926,088 | 883,143 | 847,494 |
| Total net position | \$ 114,284 | \$ 1,929,755 | \$ 2,044,039 | \$ 1,997,934 |

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Statement of Activities
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

| 2021 | | | | | | | |
|------------------------------------|-------------------|-------------------------|--|--|-----------------------------|---------------------|---------------------|
| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | 2020 Total |
| | | Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Governmental Activities: | | | | | | | |
| Parks and recreation | \$ 239,127 | \$ - | \$ - | \$ (239,127) | \$ - | \$ (239,127) | \$ (194,102) |
| Total governmental activities | 239,127 | - | - | (239,127) | - | (239,127) | (194,102) |
| Business-type Activities: | | | | | | | |
| Water and sanitation | 586,450 | 440,218 | 129,526 | - | (16,706) | (16,706) | (75,061) |
| Administrative | 118,901 | - | - | - | (118,901) | (118,901) | (123,012) |
| Total business-type activities | 705,351 | 440,218 | 129,526 | - | (135,607) | (135,607) | (198,073) |
| Total primary government | <u>\$ 944,478</u> | <u>\$ 440,218</u> | <u>\$ 129,526</u> | (239,127) | (135,607) | (374,734) | (392,175) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | 226,466 | 140,019 | 366,485 | 366,325 |
| Specific ownership | | | | - | 26,377 | 26,377 | 23,637 |
| Intergovernmental | | | | 7,148 | - | 7,148 | 6,134 |
| Interest | | | | - | 9,329 | 9,329 | 17,180 |
| Gain on disposal of capital assets | | | | - | 11,500 | 11,500 | - |
| Total general revenues | | | | <u>233,614</u> | <u>187,225</u> | <u>420,839</u> | <u>413,276</u> |
| Change in net position | | | | (5,513) | 51,618 | 46,105 | 21,101 |
| Net position, beginning of year | | | | <u>119,797</u> | <u>1,878,137</u> | <u>1,997,934</u> | <u>1,976,833</u> |
| Net position, end of year | | | | <u>\$ 114,284</u> | <u>\$ 1,929,755</u> | <u>\$ 2,044,039</u> | <u>\$ 1,997,934</u> |

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
General Fund
Balance Sheet
December 31, 2021
(with summarized financial information as of December 31, 2020)

| | 2021 | 2020 |
|--|------------|------------|
| Assets: | | |
| Cash and cash equivalents | \$ 74,151 | \$ 90,577 |
| Property taxes receivable | 240,225 | 226,639 |
| Total assets | \$ 314,376 | \$ 317,216 |
| Liabilities, Deferred Inflows of Resources and Fund Balance: | | |
| Liabilities: | \$ - | \$ - |
| Total liabilities | - | - |
| Deferred inflows of resources: | | |
| Deferred property tax revenues | 240,225 | 226,639 |
| Total deferred inflows of resources | 240,225 | 226,639 |
| Fund balance: | | |
| Committed | 74,151 | 90,577 |
| Total fund balance: | 74,151 | 90,577 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 314,376 | \$ 317,216 |

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, 2021

| | | |
|--|------------------|-----------------------|
| Governmental fund balance | \$ | 74,151 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental fund: | | |
| Costs of capital assets | \$ 394,899 | |
| Less accumulated depreciation | <u>(237,670)</u> | 157,229 |
| Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the governmental fund: | | |
| Net pension liability | | (75,454) |
| Deferred inflows related to pension plan | | (81,599) |
| Deferred outflows related to pension plan | | 51,680 |
| Net OPEB liability | | (10,500) |
| Deferred inflows related to OPEB plan | | (3,381) |
| Deferred outflows related to OPEB plan | | <u>2,158</u> |
| Net position of governmental activities | \$ | <u><u>114,284</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, 2021
(with summarized financial information for the year ended December 31, 2020)

| | 2021 | 2020 |
|--|------------|------------|
| Revenues: | | |
| Property taxes | \$ 226,466 | \$ 226,299 |
| Intergovernmental | 7,148 | 6,134 |
| Total revenues | 233,614 | 232,433 |
| Expenditures: | | |
| Parks and recreation | 224,690 | 220,500 |
| Capital outlay | 25,350 | 9,271 |
| Total expenditures | 250,040 | 229,771 |
| Excess (deficit) of revenues over expenditures | (16,426) | 2,662 |
| Fund balance, beginning of year | 90,577 | 87,915 |
| Fund balance, end of year | \$ 74,151 | \$ 90,577 |

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, 2021

| | | |
|---|----|----------|
| Changes in fund balance - governmental fund | \$ | (16,426) |
|---|----|----------|

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 | \$ | 25,350 | |
| Depreciation | | <u>(15,161)</u> | 10,189 |

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.

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| | | |
|---|----|-----------------------|
| Change in net position of governmental activities | \$ | <u><u>(5,513)</u></u> |
|---|----|-----------------------|

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Net Position
December 31, 2021
(with summarized financial information as of December 31, 2020)

| | 2021 | 2020 |
|---|--------------|--------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,109,459 | \$ 1,023,998 |
| Accounts receivable | 35,284 | 57,392 |
| Due from other government | 1,743 | 1,928 |
| Property taxes receivable | 148,871 | 140,453 |
| Prepaid expense | 18,574 | 17,018 |
| Total current assets | 1,313,931 | 1,240,789 |
| Noncurrent assets: | | |
| Capital assets, net of accumulated depreciation | 974,421 | 977,401 |
| Total noncurrent assets | 974,421 | 977,401 |
| Total assets | 2,288,352 | 2,218,190 |
| Deferred Outflows of Resources: | | |
| Deferred outflows related to pension | 65,929 | 24,649 |
| Deferred outflows related to OPEB plan | 2,754 | 1,513 |
| Total deferred outflows of resources | 68,683 | 26,162 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 46,055 | 47,613 |
| Due to other government | 14,292 | - |
| Total current liabilities | 60,347 | 47,613 |
| Noncurrent liabilities: | | |
| Net pension liability | 96,255 | 113,799 |
| Net OPEB liability | 13,398 | 13,395 |
| Total noncurrent liabilities | 109,653 | 127,194 |
| Total liabilities | 170,000 | 174,807 |
| Deferred Inflows of Resources: | | |
| Deferred property tax revenues | 148,871 | 140,453 |
| Deferred inflows related to pension | 104,095 | 46,723 |
| Deferred inflows related to OPEB plan | 4,314 | 4,232 |
| Total deferred inflows of resources | 257,280 | 191,408 |
| Net Position: | | |
| Net investment in capital assets | 974,421 | 977,401 |
| Restricted for emergencies | 29,246 | 25,999 |
| Unrestricted | 926,088 | 874,737 |
| Total net position | \$ 1,929,755 | \$ 1,878,137 |

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, 2021
(w with summarized financial information for the year ended December 31, 2020)

| | 2021 | 2020 |
|---|--------------|--------------|
| Operating Revenues: | | |
| Charges for services | \$ 440,218 | \$ 441,606 |
| Total operating revenues | 440,218 | 441,606 |
| Operating Expenses: | | |
| Operations | 521,155 | 464,647 |
| Administrative | 118,901 | 123,012 |
| Depreciation | 61,084 | 59,382 |
| Total operating expenses | 701,140 | 647,041 |
| Operating income (loss) | (260,922) | (205,435) |
| Non-Operating Revenues (Expenses): | | |
| Taxes | 166,396 | 163,663 |
| Interest income | 9,329 | 17,180 |
| Gain on disposal of capital assets | 11,500 | - |
| Other expense | (4,211) | (4,373) |
| Net non-operating revenues | 183,014 | 176,470 |
| Income before contributions and transfers | (77,908) | (28,965) |
| Contributions and Transfers: | | |
| Tap fees | 129,526 | 11,735 |
| Change in net position | 51,618 | (17,230) |
| Net position, beginning of year | 1,878,137 | 1,895,367 |
| Net position, end of year | \$ 1,929,755 | \$ 1,878,137 |

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

| | 2021 | 2020 |
|---|--------------|--------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers | \$ 462,326 | \$ 423,245 |
| Cash paid to suppliers of goods and services | (503,110) | (467,228) |
| Cash paid to employees | (142,668) | (133,040) |
| | (183,452) | (177,023) |
| Net cash provided (used) by operating activities | | |
| Cash Flows From Non-Capital Financing Activities: | | |
| Cash receipts from taxes | 166,581 | 163,627 |
| Cash payments for tax collection fees | (4,211) | (4,373) |
| | 162,370 | 159,254 |
| Net cash provided by non-capital financing activities | | |
| Cash Flows From Capital and Related Financing Activities: | | |
| Tap fees collected, net of amount paid to City | 143,818 | 11,735 |
| Proceeds from disposal of capital assets | 11,500 | - |
| Purchase of capital assets | (58,104) | (131,012) |
| | 97,214 | (119,277) |
| Net cash provided (used) by capital and related financing activities | | |
| Cash Flows From Investing Activities: | | |
| Interest received | 9,329 | 17,180 |
| | 9,329 | 17,180 |
| Net cash provided by investing activities | | |
| Net change in cash and cash equivalents | 85,461 | (119,866) |
| Cash and cash equivalents, beginning of year | 1,023,998 | 1,143,864 |
| Cash and cash equivalents, end of year | \$ 1,109,459 | \$ 1,023,998 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ (260,922) | \$ (205,435) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 61,084 | 59,382 |
| Defined benefit pension plan accruals | (1,452) | (23,814) |
| Defined benefit OPEB plan accruals | (1,156) | 260 |
| (Increase) decrease in: | | |
| Accounts receivable | 22,108 | (18,361) |
| Prepaid expense | (1,556) | (17,018) |
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | (1,558) | 27,963 |
| | (183,452) | (177,023) |
| Net cash provided (used) by operating activities | \$ (183,452) | \$ (177,023) |

See accompanying notes to financial statements.

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 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 (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of 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, 2021
(with summarized financial information as of December 31, 2020 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, 2021 and 2020. 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:

| | Years |
|------------------------|-------|
| Water system | 10-40 |
| Buildings | 40 |
| Equipment and vehicles | 5-20 |

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 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 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 GAAP for the General Fund. The Enterprise Fund adopts a budget on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures 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, 2021
(with summarized financial information as of December 31, 2020 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, 2021:

- General Fund expenditure appropriations were increased by \$17,437 for a playground structure and was funded from available fund balance.
- Enterprise Fund expenditure appropriations were increased by \$35,606 for a water main repair project and was funded from available fund balance.

Compliance

The District's Enterprise Fund expenditures exceeded final appropriations by \$14,920 for the year ended December 31, 2021. The excess expenditures were funded from available 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 \$29,246 of the December 31, 2021 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.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Funds

Deposits

The carrying amount of the District's deposits as of December 31, 2021 and 2020 was \$1,185,278 and \$1,114,499, respectively, and bank balances were \$1,229,409 and \$1,119,846. Of the bank balances, \$500,000 and \$271,067 as of December 31, 2021 and 2020, respectively, was covered by federal deposit insurance and \$729,409 and \$848,779, 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.

Capital Assets

Capital asset activity for the year ended December 31, 2021 is summarized below:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--|----------------------|-------------------|-----------------|--------------------|
| Governmental activities: | | | | |
| Equipment and vehicles | \$ 316,981 | \$ 25,350 | \$ (40,521) | \$ 301,810 |
| Buildings | 93,089 | - | - | 93,089 |
| Less accumulated depreciation | <u>(263,030)</u> | <u>(15,161)</u> | <u>40,521</u> | <u>(237,670)</u> |
| Governmental activities capital assets, net | <u>\$ 147,040</u> | <u>\$ 10,189</u> | <u>\$ -</u> | <u>\$ 157,229</u> |
| Business-type activities: | | | | |
| Easements | \$ 1,500 | \$ - | \$ - | \$ 1,500 |
| Other capital assets: | | | | |
| Water system | 2,583,221 | - | - | 2,583,221 |
| Equipment | 195,539 | 58,104 | (14,261) | 239,382 |
| Buildings | 95,488 | - | - | 95,488 |
| Total other capital assets at cost | <u>2,874,248</u> | <u>58,104</u> | <u>(14,261)</u> | <u>2,918,091</u> |
| Less accumulated depreciation for: | | | | |
| Water system | (1,742,236) | (41,259) | - | (1,783,495) |
| Equipment | (124,123) | (17,001) | 14,261 | (126,863) |
| Buildings | <u>(31,988)</u> | <u>(2,824)</u> | <u>-</u> | <u>(34,812)</u> |
| Total accumulated depreciation | <u>(1,898,347)</u> | <u>(61,084)</u> | <u>14,261</u> | <u>(1,945,170)</u> |
| Other capital assets, net | <u>975,901</u> | <u>(2,980)</u> | <u>-</u> | <u>972,921</u> |
| Business-type activities capital assets, net | <u>\$ 977,401</u> | <u>\$ (2,980)</u> | <u>\$ -</u> | <u>\$ 974,421</u> |

Depreciation expense was charged to functions of the District as follows during 2021:

| | |
|----------------------------------|------------------|
| Governmental activities: | |
| Parks and recreation | <u>\$ 15,161</u> |
| Business-type activities: | |
| Water and sanitation | <u>\$ 61,084</u> |

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 3: Detailed Notes on the Funds (continued)

Governmental Fund Balance

The District has no restricted governmental fund balance as of December 31, 2021 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.

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. SB 18-200 makes changes to certain benefit provisions.

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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2020. 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.

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.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

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, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the CRS, once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to CRS § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in 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 lifetime retirement benefit formula(s) 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 provisions as of December 31, 2021. 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. Employee contribution rates for the year ended December 31, 2021 are summarized below:

| | |
|----------------------------|--------------|
| Employee contribution rate | <u>8.50%</u> |
|----------------------------|--------------|

Contribution rates for the LGDTF are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

The employer contribution requirements for all employees are summarized below for the year ended December 31, 2021:

| | |
|---|---------------|
| Employer contribution rate | 10.50% |
| 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 | 9.48% |
| 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 | 1.50% |
| Defined Contribution Supplement as specified in CRS § 24-51-415 | <u>0.02%</u> |
| Total Employer Contribution Rate to the LGDTF | <u>13.20%</u> |

Contribution rates for the LGDTF are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

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 \$33,635 and \$30,537, respectively, for the years ended December 31, 2021 and 2020.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

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

As of December 31, 2021, the District reported a net pension liability of \$171,709 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

As of December 31, 2020, the District proportion was 0.032950%, which was an increase of 0.005329% from its proportion measured as of December 31, 2019.

For the years ended December 31, 2021 and 2020, the District recognized pension expense (revenue) of \$32,228 and (\$33,413), respectively. As of December 31, 2021, 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 | \$ 8,302 | \$ - |
| Changes of assumptions or other inputs | 41,495 | - |
| Net difference between projected and actual investment earnings | - | 185,694 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 34,177 | - |
| Contributions subsequent to the measurement date | <u>33,635</u> | <u>-</u> |
| Total | <u>\$ 117,609</u> | <u>\$ 185,694</u> |

\$33,635 reported as deferred outflows of resources related to pensions, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | |
|-------------------------|---------------------|
| 2021 | \$ 6,116 |
| 2022 | (15,582) |
| 2023 | (62,947) |
| 2024 | <u>(29,307)</u> |
| | <u>\$ (101,720)</u> |

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 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, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 10.45% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 | 1.25% |
| PERA benefit structure hired after 12/31/06 | Financed by the 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.

Post-retirement non-disabled mortality assumptions 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.

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

The actuarial assumptions used in the December 31, 2019 valuation 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, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

Based on the 2020 experience analysis dated October 28, 2020, for the period January 1, 2016 through December 31, 2019, revised economic and demographic assumptions were adopted by the PERA's Board on November 20, 2020 and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019 to December 31 2020.

| | |
|---|---------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | 3.20% - 11.30% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 | 1.25% |
| PERA benefit structure hired after 12/31/06 | Financed by the AIR |

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for members were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions for members were based upon the PubG-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for members were based upon the PubNS-201 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

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 the Experience Study report dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed effective December 31, 2020:

- Price inflation assumptions decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

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.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, 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 |
|----------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives | 6.00% | 4.70% |
| 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 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 3.00%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increase 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.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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 reflect 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

Defined Benefit Pension Plan (continued)

- 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 | \$ 395,549 | \$ 171,709 | \$ (15,168) |

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

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 Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information for the Voluntary Investment 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 the 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 4% 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, 2021 and 2020, program members contributed \$10,048 and \$9,303, respectively, and the District recognized pension expense of \$10,048 and \$9,303, respectively, for the Voluntary Investment Program.

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

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 by 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. 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 CRS, 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 Annual 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.

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% 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.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

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 \$2,599 and \$2,409 for the years ended December 31, 2021 and 2020, respectively.

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

As of December 31, 2021 the District reported a liability of \$23,898 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

As of December 31, 2020, the District's proportion was 0.002515%, which was an increase of 0.000400% from its proportion measured as of December 31, 2019.

For the years ended December 31, 2021 and 2020, the District recognized OPEB expense of \$675 and \$719, respectively. As of December 31, 2021 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 | \$ 63 | \$ 5,254 |
| Changes of assumptions or other inputs | 179 | 1,465 |
| Net difference between projected and actual investment earnings | - | 976 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 2,071 | - |
| Contributions subsequent to the measurement date | <u>2,599</u> | <u>-</u> |
| Total | <u>\$ 4,912</u> | <u>\$ 7,695</u> |

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

\$2,599 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, 2022. 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, | | |
|-------------------------|----|----------------|
| 2021 | \$ | (1,740) |
| 2022 | | (1,496) |
| 2023 | | (1,676) |
| 2024 | | (2,112) |
| 2025 | | 715 |
| 2026 | | 866 |
| 2027 | | 61 |
| | \$ | <u>(5,382)</u> |

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|--|--|
| Actuarial cost method | Entry age |
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| 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% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | 8.10% in 2020, gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.50% in 2020, gradually increasing to 4.50% in 2029 |

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019 valuation, the following monthly costs/premiums are assumed for 2020 for the PERA Benefit Structure:

| | Initial Costs for Members without Medicare Part A | | |
|---|--|--------------------|---------------------------------------|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Plan | | | |
| Medicare Advantage Self-Insured Rx | \$ 588 | \$ 227 | \$ 550 |
| Kaiser Permanente Medicare Advantage HMO | 621 | 232 | 586 |

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

The 2020 Medicare Part A premium is \$458 per month.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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.

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 |
|-------|----------------------------|-----------------------------|
| 2020 | 8.10% | 3.50% |
| 2021 | 6.40% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 4.00% |
| 2025 | 5.30% | 4.00% |
| 2026 | 5.10% | 4.00% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2019 valuation 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.

Post-retirement non-disabled 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.

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

STEAMBOAT II METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the 2016 experience analysis for the period January 1, 2012 through December 31, 2015 as well as the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

Based on the 2020 experience analysis dated October 28, 2020 and November 4, 2020 for the period January 1, 2016 through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020 and were effective as of December 31, 2020. The assumptions show below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019 to December 31, 2020.

| | Local Government Division |
|---|---------------------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation: | |
| Members other than State Troopers | 3.20%-11.30% |
| State Troopers | 3.20%-12.40% |

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25%.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for members were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and update annually by the Board's actuary, as discussed above.

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 the Experience Study report dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed effective December 31, 2020:

- Price inflation assumptions decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

Several factors were considered in evaluating the long-term rate of return assumption, 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.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, 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> |
|--------------------|--------------------------|---|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives | 6.00% | 4.70% |
| 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%.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

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> |
|---------------------------------------|---------------------------------------|--------------------------------|---------------------------------------|
| Initial PERACare Medicare trend rate | 7.10% | 8.10% | 9.10% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$ 23,280 | \$ 23,898 | \$ 24,617 |

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, 2020 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 3.00%.
- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, 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%.

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 4: Pension and OPEB Plans (continued)

OPEB Plan (continued)

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 | \$ 27,376 | \$ 23,898 | \$ 20,927 |

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

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.

The District collected the following tap fees on behalf of the City during the year ended December 31, 2021:

| | |
|---------------------------------|------------------|
| Due to City, beginning of year | \$ - |
| Tap fees collected for the City | 185,208 |
| Tap fees paid to the City | <u>(170,916)</u> |
| Due to City, end of year | <u>\$ 14,292</u> |

STEAMBOAT II METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2021

(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 5: Other Information (continued)

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 is subject to an annual CPI increase. The District paid \$86.88 per acre foot of storage water for the year ended December 31, 2021.

Subsequent Events

The District has evaluated subsequent events through September 26, 2022, 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, 2021

| | Original Budget | Final Budget | Actual | Variance |
|---------------------------------|--------------------|------------------|------------------|-----------------|
| Revenues: | | | | |
| Property taxes | \$ 226,639 | \$ 226,639 | \$ 226,466 | \$ (173) |
| Intergovernmental | 6,500 | 6,500 | 7,148 | 648 |
| Total revenues | <u>233,139</u> | <u>233,139</u> | <u>233,614</u> | <u>475</u> |
| Expenditures: | | | | |
| Parks and recreation: | | | | |
| Wages and benefits | 176,702 | 176,702 | 179,933 | (3,231) |
| Operations | 24,000 | 24,000 | 22,422 | 1,578 |
| Tax collection fees | 7,129 | 7,129 | 6,794 | 335 |
| Repairs and maintenance | 7,000 | 7,000 | 3,438 | 3,562 |
| Other | 14,860 | 14,860 | 12,103 | 2,757 |
| Capital outlay | <u>3,448</u> | <u>20,885</u> | <u>25,350</u> | <u>(4,465)</u> |
| Total expenditures | <u>233,139</u> | <u>250,576</u> | <u>250,040</u> | <u>536</u> |
| Change in fund balance | - | (17,437) | (16,426) | <u>\$ 1,011</u> |
| Fund balance, beginning of year | <u>90,577</u> | <u>90,577</u> | <u>90,577</u> | |
| Fund balance, end of year | <u>\$ 90,577</u> | <u>\$ 73,140</u> | <u>\$ 74,151</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>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| District's proportion of the net pension liability | 0.0330% | 0.0276% | 0.0241% | 0.0355% | 0.0323% |
| District's proportionate share of the net pension liability | \$ 171,709 | \$ 202,016 | \$ 303,334 | \$ 395,474 | \$ 436,650 |
| District's covered payroll | \$ 254,809 | \$ 236,173 | \$ 195,309 | \$ 162,000 | \$ 239,779 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 67.39% | 85.54% | 155.31% | 244.12% | 182.11% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.88% | 86.26% | 75.96% | 79.37% | 73.60% |
| | <u>2016</u> | <u>2015</u> | | | |
| District's proportion of the net pension liability | 0.0340% | 0.0345% | | | |
| District's proportionate share of the net pension liability | \$ 374,304 | \$ 309,621 | | | |
| District's covered payroll | \$ 198,499 | \$ 194,372 | | | |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 188.57% | 159.29% | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 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>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 33,635 | \$ 30,537 | \$ 24,765 | \$ 20,542 | \$ 30,404 |
| Contributions in relation to the contractually required contribution | <u>\$ (33,635)</u> | <u>\$ (30,537)</u> | <u>\$ (24,765)</u> | <u>\$ (20,542)</u> | <u>\$ (30,404)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 254,809 | \$ 236,173 | \$ 195,309 | \$ 162,000 | \$ 239,779 |
| Contributions as a percentage of covered payroll | 13.20% | 12.93% | 12.68% | 12.68% | 12.68% |
| | <u>2016</u> | <u>2015</u> | | | |
| Contractually required contribution | \$ 25,170 | \$ 24,646 | | | |
| Contributions in relation to the contractually required contribution | <u>\$ (25,170)</u> | <u>\$ (24,646)</u> | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | | | |
| District's covered payroll | \$ 198,499 | \$ 194,372 | | | |
| Contributions as a percentage of covered payroll | 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>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|-------------|-------------|
| District's proportion of the net OPEB liability | 0.002515% | 0.002115% | 0.001871% | 0.002760% |
| District's proportionate share of the net OPEB liability | \$ 23,898 | \$ 23,777 | \$ 25,457 | \$ 35,868 |
| District's covered payroll | \$ 254,809 | \$ 236,173 | \$ 195,309 | \$ 162,000 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 9.38% | 10.07% | 13.03% | 22.14% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 32.78% | 24.49% | 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>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 2,599 | \$ 2,409 | \$ 1,992 | \$ 1,652 |
| Contributions in relation to the contractually required contribution | <u>\$ (2,599)</u> | <u>\$ (2,409)</u> | <u>\$ (1,992)</u> | <u>\$ (1,652)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 254,809 | \$ 236,173 | \$ 195,309 | \$ 162,000 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% |

STEAMBOAT II METROPOLITAN DISTRICT
Enterprise Fund
Statement of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance |
|---|---------------------|---------------------|---------------------|--------------------|
| Operating Revenues: | | | | |
| Charges for services: | | | | |
| Water | \$ 188,100 | \$ 188,100 | \$ 195,916 | \$ 7,816 |
| Sewer | 252,300 | 252,300 | 241,534 | (10,766) |
| Other | 500 | 500 | 2,768 | 2,268 |
| Total revenues | <u>440,900</u> | <u>440,900</u> | <u>440,218</u> | <u>(682)</u> |
| Expenditures: | | | | |
| Operations: | | | | |
| Wages and benefits | 130,310 | 130,310 | 165,626 | (35,316) |
| Water purchase | 93,000 | 93,000 | 74,651 | 18,349 |
| Wastewater treatment | 204,000 | 204,000 | 186,186 | 17,814 |
| Repairs and maintenance | 26,500 | 62,106 | 62,472 | (366) |
| Other | 19,800 | 19,800 | 34,828 | (15,028) |
| Administrative: | | | | |
| Wages and benefits | 81,295 | 81,295 | 47,755 | 33,540 |
| Insurance | 17,700 | 17,700 | 17,952 | (252) |
| Rent and utilities | 19,200 | 19,200 | 18,900 | 300 |
| Professional fees | 10,500 | 10,500 | 6,468 | 4,032 |
| Office | 14,937 | 14,937 | 17,194 | (2,257) |
| Other | 17,000 | 17,000 | 10,632 | 6,368 |
| Capital outlay | 16,000 | 16,000 | 58,104 | (42,104) |
| Total expenditures | <u>650,242</u> | <u>685,848</u> | <u>700,768</u> | <u>(14,920)</u> |
| Operating loss - budget basis | <u>(209,342)</u> | <u>(244,948)</u> | <u>(260,550)</u> | <u>(15,602)</u> |
| Non-operating Revenues (Expenses): | | | | |
| Taxes: | | | | |
| Property | 140,453 | 140,453 | 140,019 | (434) |
| Specific ownership | 18,000 | 18,000 | 26,377 | 8,377 |
| Tap fees | 160,000 | 160,000 | 129,526 | (30,474) |
| Interest | 12,000 | 12,000 | 9,329 | (2,671) |
| Gain on disposal of equipment | - | - | 11,500 | 11,500 |
| Tax collection fees | (4,211) | (4,211) | (4,211) | - |
| Total non-operating revenues | <u>326,242</u> | <u>326,242</u> | <u>312,540</u> | <u>(13,702)</u> |
| Change in net position - budget basis | 116,900 | 81,294 | 51,990 | <u>\$ (29,304)</u> |
| Reconciliation to GAAP basis: | | | | |
| Depreciation | | | (61,084) | |
| Capitalized expenditures | | | 58,104 | |
| Defined benefit pension plan accruals | | | 1,452 | |
| Defined benefit OPEB plan accruals | | | <u>1,156</u> | |
| Change in net position - GAAP basis | | | 51,618 | |
| Net position, beginning of year | <u>1,878,137</u> | <u>1,878,137</u> | <u>1,878,137</u> | |
| Net position, end of year | <u>\$ 1,995,037</u> | <u>\$ 1,959,431</u> | <u>\$ 1,929,755</u> | |