

**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. 101-11153 and No. 101-10016**

**Financial Statements  
and  
Supplementary Information**

**December 31, 2019 and 2018**

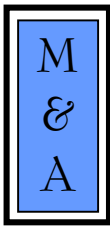


**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**

**December 31, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

**To the Member  
Lake Creek Village LLC  
Eagle County, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Lake Creek Village LLC (HUD Project No. 101-11153 and No. 101-10016), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and changes in member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

To the Member  
Lake Creek Village LLC  
Eagle County, Colorado

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Creek Village LLC as of December 31, 2019 and 2018, and the changes in member's capital and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on Lake Creek Village LLC's financial statements as a whole. The accompanying supplementary information shown on pages 13 – 26 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the 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 financial statements. The supplementary information on pages 13 – 26 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 13 – 26 is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of Lake Creek Village LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Creek Village LLC's internal control over financial reporting and compliance.



**McMahan and Associates, L.L.C.**  
**March 26, 2020**

**Lake Creek Village LLC**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Balance Sheets**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents - Unrestricted	\$ 1,273,286	\$ 1,210,058
Cash and cash equivalents - Restricted	1,560,770	1,353,834
Accounts receivable - Tenants, net	12,443	20,043
Accounts receivable - Others	210,529	175,637
Deposits and prepaid expenses	110,440	158,240
Fixed assets, net	30,527,757	30,912,451
Investments, net	<u>175,132</u>	<u>186,431</u>
<b>Total Assets</b>	<u><u>\$ 33,870,357</u></u>	<u><u>\$ 34,016,694</u></u>
 <b>LIABILITIES AND MEMBER'S CAPITAL</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 109,802	\$ 38,849
Accrued interest payable	77,853	77,526
Construction contracts payable	-	162,527
Due to Eagle County	165,793	143,441
Deferred revenue	9,325	9,399
Tenant security deposits	328,256	310,221
Mortgage notes payable, net of unamortized debt issuance costs	<u>32,083,446</u>	<u>32,220,570</u>
<b>Total Liabilities</b>	<u>32,774,475</u>	<u>32,962,533</u>
<b>MEMBER'S CAPITAL</b>	<u>1,095,882</u>	<u>1,054,161</u>
<b>Total Liabilities and Member's Capital</b>	<u><u>\$ 33,870,357</u></u>	<u><u>\$ 34,016,694</u></u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Statements of Operations and Changes in Member's Capital**  
**For the years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Tenant rents	\$ 4,319,506	\$ 4,279,098
Tenant assistance payments	73,317	76,598
Commercial rents	30,000	15,000
Other income	133,773	144,085
	<u>4,556,596</u>	<u>4,514,781</u>
<b>Total Revenues</b>		
<b>OPERATING EXPENSES</b>		
Repairs and maintenance	708,634	779,752
Utilities	719,418	706,990
General and administration	412,150	354,598
Management fees	157,391	155,706
	<u>1,997,593</u>	<u>1,997,046</u>
<b>Total Operating Expenses</b>		
<b>INCOME (LOSS) from OPERATIONS</b>	2,559,003	2,517,735
<b>OTHER INCOME (EXPENSES)</b>		
Investment earnings	3,659	1,283
Capital grants and contributions	209,979	175,355
Depreciation	(972,800)	(895,331)
Amortization	(11,299)	(11,299)
Interest expense	(946,821)	(738,766)
	<u>(1,717,282)</u>	<u>(1,468,758)</u>
<b>Net Other Income (Expenses)</b>		
<b>NET INCOME (LOSS)</b>	841,721	1,048,977
<b>Member's Capital - Beginning of the year</b>	1,054,161	505,184
Capital distributions	<u>(800,000)</u>	<u>(500,000)</u>
<b>Member's Capital - End of the year</b>	<u>\$ 1,095,882</u>	<u>\$ 1,054,161</u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received for rents and other services	\$ 4,564,297	4,520,833
Investment income received	3,659	1,283
Net change in tenant security deposits	18,035	11,051
Interest paid	(929,565)	(844,629)
Cash paid for goods and services	(1,909,222)	(2,015,153)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>1,747,204</u>	<u>1,673,385</u>
<b>Cash Flows From Financing Activities:</b>		
Cash received from long-term debt proceeds	593,544	4,772,398
Repayment of long-term debt	(747,597)	(601,041)
Cash paid as capital distributions	(800,000)	(500,000)
Cash received from capital grants and contributions	175,355	13,219
<b>Net Cash Provided (Used) By Financing Activities</b>	<u>(778,698)</u>	<u>3,684,576</u>
<b>Cash Flows From Investing Activities:</b>		
Cash paid to purchase capital assets	(698,342)	(5,426,144)
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>(698,342)</u>	<u>(5,426,144)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	270,164	(68,183)
<b>Cash and Cash Equivalents - Beginning</b>	<u>2,563,892</u>	<u>2,632,075</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,834,056</u>	<u>\$ 2,563,892</u>
<b>Cash and Cash Equivalents - Ending is comprised of:</b>		
Cash and cash equivalents - Unrestricted	\$ 1,273,286	\$ 1,210,058
Cash and cash equivalents - Restricted	1,560,770	1,353,834
<b>Total</b>	<u>\$ 2,834,056</u>	<u>\$ 2,563,892</u>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	<u>\$ 2,559,003</u>	<u>\$ 2,517,735</u>
<b>Adjustments to reconcile:</b>		
Interest income	3,659	1,283
Interest expense, net of amortization of debt issue costs	(929,892)	(722,288)
Interest capitalized to construction in progress	-	(139,063)
(Increase) decrease in accounts receivable - tenant, net	7,600	2,519
(Increase) decrease in accounts receivable - others	(268)	-
(Increase) decrease in prepaid expenses	47,800	(98,634)
Increase (decrease) in accounts payable and accrued liabilities	18,989	(42,713)
Increase (decrease) in deferred revenue	(74)	7,155
Increase (decrease) in due to Eagle County and related entities	22,352	136,340
Increase (decrease) in tenant security deposits, net	18,035	11,051
<b>Total Adjustments</b>	<u>(811,799)</u>	<u>(844,350)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ 1,747,204</u>	<u>\$ 1,673,385</u>

The accompanying notes are an integral part of these financial statements

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**1. Organization**

Lake Creek Village LLC (the "Company") is a Colorado limited liability company formed pursuant to Articles of Organization filed September 7, 2010. The Company's purpose is to acquire, develop, and operate a 272-unit affordable housing project known as Lake Creek Apartments (the "Project") located in unincorporated Eagle County, Colorado. The Company began operations December 21, 2012 with the acquisition of the Project, financed through a mortgage loan insured by the U.S. Department of Housing and Urban Development ("HUD") under section 223(f) of the National Housing Act, as amended. Effective August 1, 2016, and subsequently amended, the Company entered into a contract for the subsidization by HUD through a Section 8 Housing Assistance Payments contract ("HAP Contract") of eight units located in the Project. The contract terminates fifteen years from the effective date.

The sole member of the Company is Eagle County Housing and Development Authority ("ECHDA"), which is a component unit of Eagle County, Colorado. ECHDA's financial position, activities, and cash flow are included in the County's separate 2019 and 2018 financial statements.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The Company utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**B. Cash Equivalents**

For the purposes of the Statement of Cash Flows, the Company defines cash equivalents as all cash, money market, and savings accounts, plus all investments with original maturities of three months or less.

**C. Restricted Assets**

Certain of the Company's assets are classified as restricted assets because their use is restricted to specific purposes by legally binding commitments. As December 31, 2019 and 2018, the Company held restricted cash balances related to security deposits and funding established by the HUD Commitment of Insurance of Advances (the "Commitment").

**D. Tenant Security Deposits**

Tenant security deposits are placed into an interest-bearing account and are generally held until termination of the underlying tenant lease, at which time some or all deposits may be returned to lessee.

**E. Allowance for Uncollectible Accounts**

The Company uses the allowance method to recognize the potential uncollectibility of receivables, including amounts due from tenants. At December 31, 2019, the Company has recorded an allowance of \$6,658 to provide for amounts which management determined may not be collectible (\$7,101 at December 31, 2018).



**Lake Creek Village LLC**  
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**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

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

**F. Fixed Assets**

Fixed assets with an initial cost in excess of \$5,000 are recorded at cost and depreciated using the straight-line method over the following estimated useful lives of the underlying assets:

Buildings and improvements	35 years
Furniture	5 - 7 years
Equipment	5 - 7 years

Land is reported at cost and is not subject to depreciation.

**G. Debt Issuance Costs**

Debt issuance costs incurred in connection with obtaining long-term financing for the Company are amortized to interest expense over the term to maturity of the HUD-insured Mortgages using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

**H. Revenue Recognition**

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Rental payments received in advance are deferred until earned. Leases are for periods of up to one year, with rental payments due monthly.

**I. Income Taxes**

The Company was formed in accordance with Internal Revenue Service Revenue Procedure 95-48, which provides that an "affiliate of a governmental unit" is exempt from federal income tax filing requirements. As a result, the Company is also exempt from Colorado state income tax.

**J. Subsequent Events**

Management has evaluated subsequent events through March 26, 2020; the date these financial statements were available to be issued.

**K. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**L. Comparative Information**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**3. Restricted Cash**

The Company's restricted cash balance is comprised of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Tenant security deposits	\$ 332,902	\$ 321,025
Replacement Reserve	804,658	669,435
Escrow deposits:		
Insurance escrow	40,047	47,882
Mortgage Insurance Premium escrow	175,908	108,237
Other Reserves:		
Insurance Recovery escrow	50,803	50,803
Working Capital and Construction Contingency escrow	<u>156,452</u>	<u>156,452</u>
<b>Total - Restricted Cash</b>	<u>\$ 1,560,770</u>	<u>\$ 1,353,834</u>

The Commitment required the Company to establish a Replacement Reserve in the initial amount of \$675,000 and to make monthly deposits of \$11,250 commencing January 2013 to be used to make capital improvements and repairs to the Project. As a condition of securing HUD's commitment to insure certain mortgage indebtedness of the Company in connection with the re-siding project (the "Re-siding Project Commitment") completed in 2018, the Company is only required to make monthly deposits of \$10,463 to the Replacement Reserve, commencing January 2019. All such required contributions had been made at December 31, 2019 and 2018.

The Re-siding Project Commitment also mandated that the Company establish a Working Capital and Construction Contingency escrow of \$156,452 for identified costs as outlined in the Escrow Agreement for Working Capital.

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**4. Fixed Assets**

The following are the changes in the Company's fixed assets during the year ended December 31, 2019:

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/19</u>
Fixed assets not being depreciated:				
Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
Total Fixed assets not being depreciated	<u>1,350,100</u>	<u>-</u>	<u>-</u>	<u>1,350,100</u>
Fixed assets being depreciated:				
Buildings and improvements	33,710,227	582,584	-	34,292,811
Furniture	2,305	-	-	2,305
Equipment	5,000	5,522	-	10,522
Total Fixed assets being depreciated	<u>33,717,532</u>	<u>588,106</u>	<u>-</u>	<u>34,305,638</u>
Accumulated depreciation	<u>(4,155,181)</u>	<u>(972,800)</u>	<u>-</u>	<u>(5,127,981)</u>
Total Fixed assets being depreciated, net	<u>29,562,351</u>	<u>(384,694)</u>	<u>-</u>	<u>29,177,657</u>
<b>Total Fixed Assets, Net</b>	<u><b>\$ 30,912,451</b></u>	<u><b>\$ (384,694)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 30,527,757</b></u>

**5. Investments**

During 2015, the Company purchased an investment in the production capacity of solar panels located in a local solar array farm, which will generate credits over a twenty-year term, based on the output of the solar panels, to reduce the Company's utility expenses in future years. The Company's investment is carried at cost, net of amortization over the twenty-year contract period.

	<u>2019</u>	<u>2018</u>
Investment - Solar array	\$ 225,977	\$ 225,977
Less: Accumulated amortization	<u>(50,845)</u>	<u>(39,546)</u>
<b>Investment - Solar array, net</b>	<u><b>\$ 175,132</b></u>	<u><b>\$ 186,431</b></u>

**6. Construction Contracts**

During 2017, the Company entered into a construction contract with R.A. Nelson, LLC ("Nelson") to perform certain renovations relating to new siding, windows, and insulation (the "Exterior Contract"). After approved change orders, the total value of the Exterior Contract at December 31, 2018 was \$8,209,482. However, project savings realized over the term of the Exterior Contract (totaling \$765,669) reduced the overall project costs to \$7,443,813; all of which was completed and billed by Nelson in 2018. Construction contracts payable at December 31, 2018 relating to the Exterior Contract was \$162,527.

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**7. HUD-Insured Mortgage Notes Payable**

**A Project No. 101-11153**

In December 2012 and in connection with the acquisition of the Project, the Company entered into a mortgage note agreement (the “HUD-insured Mortgage”) with Wells Fargo Bank, National Association (“Wells Fargo”) in the principal amount of \$29,360,000. The HUD-insured Mortgage is insured by HUD under section 223(f) of National Housing Act of 1934, as amended, and is secured by a first deed of trust on the Project. Interest accrues on the principal amount outstanding at 2.5% per annum, with one interest-only payment due January 1, 2013 and blended monthly payments of \$104,961 beginning February 1, 2013 until maturity on January 1, 2048. Unless otherwise directed by HUD, the HUD-insured Mortgage may not be repaid prior to February 2014, and any prepayment between February 2014 and January 2023 requires the Company to pay Wells Fargo a prepayment penalty of between 9% and 1% of the prepayment amount, depending on the prepayment date.

During 2019, the Company incurred interest on the HUD-insured Mortgage totaling \$642,003 (2018 – \$657,234). At December 31, 2019, the principal balance of the HUD-insured Mortgage was \$25,396,406 (2018 – \$26,012,646) and accrued interest was \$52,909 (2018 – \$54,193). The HUD-insured Mortgage is reported on the December 31, 2019 balance sheet net of unamortized debt issuance costs of \$289,158 (2018 – \$299,497).

**B. Project No. 101-10016**

In August 2017 and in connection with the re-siding project, the Company entered into a mortgage note agreement (the “Re-siding Project Mortgage”) with Wells Fargo in the principal amount of \$7,822,600. Proceeds of the loan were disbursed by Wells Fargo as the re-siding project progressed. As discussed in Note 6, savings realized during the re-siding project reduced the final principal amount of the Re-siding Project Mortgage to \$7,292,200. The Re-siding Project Mortgage is insured by HUD under section 241(a) of National Housing Act of 1934, as amended, and is secured by a second deed of trust on the Project. Interest accrues on the principal amount outstanding at 4.18% per annum, with interest-only payments beginning September 1, 2017 and blended monthly payments of \$36,139 beginning January 1, 2019 until maturity on January 1, 2048. Unless otherwise directed by HUD, the Re-siding Project Mortgage may not be repaid prior to January 2019, and any prepayment between January 2019 and December 2028 requires the Company to pay Wells Fargo a prepayment penalty of between 10% and 1% of the prepayment amount, depending on the prepayment date.

During 2019, the Company incurred interest expense of \$287,889 on the Re-siding Project Mortgage (2018 – \$65,053). While the project was ongoing in 2018, the Company capitalized as renovation costs 2018 interest on the Re-siding Project Mortgage totaling \$139,063. At December 31, 2019, the principal balance of the Re-siding Project Mortgage was \$7,160,843 (2018 – \$6,698,656) and accrued interest was \$24,944 (2018 – \$23,333). The Re-siding Project Mortgage is reported on the December 31, 2019 balance sheet net of unamortized debt issuance costs of \$184,645 (2018 – \$191,236).

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**7. HUD-Insured Mortgage Notes Payable (continued)**

**C. Schedule of Future Payments**

Future minimum principal payments in each of the next five years following December 31, 2019 and in five-year increments thereafter are as follows:

	<b>Project No.</b> <b>101-11153</b>	<b>Project No.</b> <b>101-10016</b>	<b>Total</b>
2020	\$ 631,824	\$ 136,954	\$ 768,778
2021	647,802	142,790	790,592
2022	664,184	148,874	813,058
2023	680,980	155,217	836,197
2024	698,201	161,831	860,032
2025 - 2029	3,764,952	918,659	4,683,611
2030 - 2034	4,265,695	1,131,785	5,397,480
2035 - 2039	4,833,037	1,394,357	6,227,394
2040 - 2044	5,475,837	1,717,844	7,193,681
2045 - 2048	3,733,894	1,252,532	4,986,426
<b>Total</b>	<b><u>\$ 25,396,406</u></b>	<b><u>\$ 7,160,843</u></b>	<b><u>\$ 32,557,249</u></b>

**8. Related Party Transactions**

**A. Eagle County Housing and Development Authority ("ECHDA")**

Effective July 1, 2015, the Company entered into an agreement with ECHDA, whereby ECHDA is to provide management of the day-to-day operations of the Project, and to ensure operational compliance with all the terms and conditions of the HUD-insured Mortgage. The term of the agreement ran through June 30, 2018, unless otherwise terminated. Pursuant to the agreement, ECHDA is to be reimbursed for all costs, including staffing, incurred on behalf of the Company in managing the Project. The agreement also provides for ECHDA to be paid a management fee equal to 3.45% of all residential and miscellaneous income generated by the Project. During 2018, the Company and ECHDA executed an amendment to the agreement, extending the term through June 30, 2021.

During 2019, the Company incurred management fee expense of \$157,391 (2018 – \$155,706) in accordance with the agreement. At December 31, 2019, \$355 was due to ECHDA for such fees (2018 – \$0).

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**8. Related Party Transactions (continued)**

**B. Eagle County**

During 2019 and 2018, Eagle County provided certain services to, and incurred expenses on behalf of the Company, including administrative and maintenance personnel. For 2019 and 2018, the following services were provided by Eagle County:

	<u>2019</u>	<u>2018</u>
Repairs and maintenance:		
Wages - Maintenance	\$ 382,555	\$ 394,625
Repairs	1,337	1,775
Replacement reserves	4,400	3,200
Utilities:		
Electric	177,075	59,259
Water and sewer	310,997	97,094
Trash removal	14,185	-
General and administration:		
Travel and meals	748	3,748
Office expenses	20,113	344
Other expense	2,392	826
Telecommunications	3,318	3,581
Wages - Administration	97,985	89,203
<b>Total</b>	<u>\$ 1,015,105</u>	<u>\$ 653,655</u>

At December 31, 2019 the Company had a balance of \$165,793 payable to Eagle County in respect of services provided and other reimbursements (2018 – \$143,441).

**9. HUD Contract**

Effective August 1, 2016, the Company entered into a HAP Contract with HUD to subsidize rent for one tenant, and subsequently amended in 2017 to subsidize rents for eight tenants. Based on the resources and income of each qualifying tenant, HUD determines the HAP subsidy to be provided to the Company. The HAP Contract has a 15-year term, expiring July 31, 2031. During the year ended December 31, 2019, the Company earned HAP subsidies totaling \$73,317 (2018 – \$76,598).

**10. Concentration – Geographical**

The Company operates a single property located in unincorporated Eagle County, Colorado. Future operations could be affected by economic changes or other conditions in that geographical area.

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Balance Sheet - HUD Basis**  
**December 31, 2019**

**ASSETS**

Current assets:

1120	Cash - Operations	\$ 1,273,286
1130	Tenant/member accounts receivable	19,101
1131	Allowance for doubtful accounts	(6,658)
	1130N Net tenant accounts receivable	<u>12,443</u>
1135	Accounts receivable - HUD	550
1140	Accounts and notes receivable - Operations	209,979
1200	Prepaid expenses	<u>110,440</u>
	1100T Total current assets	<u>1,606,698</u>

Deposits held in trust:

1191	Tenant/patient deposits held in trust	332,901
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Restricted deposits and funded reserves:

1310	Escrow deposits	215,956
1320	Replacement Reserve	804,658
1330	Other reserves	<u>207,255</u>
	1300T Total deposits	<u>1,227,869</u>

Fixed assets:

1410	Land	1,350,100
1420	Buildings	34,292,811
1440	Building equipment (portable)	10,522
1460	Furnishings	<u>2,305</u>
	1400T Total fixed assets	35,655,738
1495	Accumulated depreciation	<u>(5,127,981)</u>
	1400N Net fixed assets	<u>30,527,757</u>

Other assets:

1590	Miscellaneous other assets	<u>175,132</u>
	1500T Total other assets	<u>175,132</u>
	1000T <b>Total Assets</b>	<u><u>\$ 33,870,357</u></u>

**LIABILITIES**

Current liabilities:

2110	Accounts payable - Operations	\$ 275,240
2123	Accrued management fee payable	355
2131	Accrued interest payable - First mortgage (or bonds)	52,909
2132	Accrued interest payable - Other mortgages	24,944
2210	Prepaid revenue	<u>9,325</u>
	2122T Total current liabilities	<u>362,773</u>

Other liabilities:

2191	Tenant/patient deposits held in trust (contra)	328,256
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Long-term liabilities:

2320	Mortgage (or bonds) payable - First mortgage (bonds)	25,107,248
2322	Other mortgages payable (long term)	<u>6,976,198</u>
	2300T Total long-term liabilities	<u>32,083,446</u>
	2000T <b>Total Liabilities</b>	<u>32,774,475</u>

**MEMBERS' CAPITAL**

3130	Total Equity	<u>1,095,882</u>
	2033T <b>Total Liabilities and Equity</b>	<u><u>\$ 33,870,357</u></u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Statement of Profit and Loss - HUD Basis**  
**For the year ended December 31, 2019**

<b>REVENUE</b>		
Rent revenue:		
5120	Rent revenue - Gross potential	\$ 4,425,199
5121	Tenant assistance payments	73,317
5140	Rent revenue - Stores and commercial	<u>30,000</u>
5100T	Total rent revenue	<u>4,528,516</u>
Vacancies:		
5220	Vacancies - Apartments	<u>(105,693)</u>
5200T	Total vacancies	<u>(105,693)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>4,422,823</u>
Financial revenue:		
5410	Financial revenue - Project operations	<u>3,659</u>
5400T	Total financial revenue	<u>3,659</u>
Other revenue:		
5910	Laundry and vending revenue	85,476
5920	Tenant charges	40,876
5990	Miscellaneous revenue	<u>217,400</u>
5900T	Total other revenue	<u>343,752</u>
5000T	<b>Total Revenue</b>	<u><b>4,770,234</b></u>
<b>EXPENSES</b>		
Administrative expenses:		
6210	Advertising and marketing	2,902
6311	Office expenses	34,415
6320	Management fee	157,391
6330	Manager or superintendent salaries	78,860
6340	Legal expense - Project	4,893
6350	Audit expense	12,225
6370	Bad debts	3,492
6390	Miscellaneous administrative expenses	<u>25,678</u>
6263T	Total administrative expenses	<u>319,856</u>
Utilities expenses:		
6450	Electricity	177,075
6451	Water	178,059
6452	Gas	146,767
6453	Sewer	<u>142,517</u>
6400T	Total utilities expenses	<u>644,418</u>
Operating and maintenance expenses:		
6515	Supplies	229,819
6520	Contracts	344,235
6525	Garbage and trash removal	75,000
6548	Snow removal	<u>22,674</u>
6500T	Total operating and maintenance expenses	<u>671,728</u>
Taxes and insurance:		
6711	Payroll taxes - Project's share	24,871
6720	Property and liability insurance - Hazard	98,445
6722	Workmen's Compensation	11,930
6723	Health insurance and other employee benefits	<u>96,228</u>
6700T	Total taxes and insurance	<u>231,474</u>
Financial expenses:		
6820	Interest on first mortgage (or bonds) payable	652,342
6825	Interest on other mortgages	294,479
6850	Mortgage insurance premium/service charge	<u>130,117</u>
6800T	Total financial expenses	<u>1,076,938</u>
6000T	<b>Total Cost of Operations before Depreciation</b>	<u><b>2,944,414</b></u>
5060T	<b>Profit (Loss) before Depreciation</b>	<u><b>1,825,820</b></u>
6600	Depreciation expense	972,800
6610	Amortization expense	<u>11,299</u>
3250	<b>Net Income (Loss)</b>	<u><b>\$ 841,721</b></u>

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



**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Statement of Changes in Member's Capital - HUD Basis**  
**For the year ended December 31, 2019**

<b>MEMBER'S CAPITAL - BEGINNING OF YEAR:</b>		
S1100-010	Beginning of Year Balance	\$ 1,054,161
3250	Net Income (Loss)	841,721
S1200-420	Distributions	<u>(800,000)</u>
<b>MEMBER'S CAPITAL - END OF YEAR:</b>		
3130	End of Year	<u><u>\$ 1,095,882</u></u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Statement of Cash Flows - HUD Basis**  
**For the year ended December 31, 2019**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Receipts:		
S1200-010	Rental receipts	\$ 4,430,523
S1200-020	Interest received	3,659
S1200-030	Other operating receipts	309,128
S1200-040	<b>Total receipts</b>	<u>4,743,310</u>
Disbursements:		
S1200-050	Administrative	(27,790)
S1200-070	Management fee	(157,036)
S1200-090	Utilities	(659,160)
S1200-100	Salaries and wages	(78,860)
S1200-110	Operating and maintenance	(663,006)
S1200-140	Property insurance	(109,996)
S1200-150	Miscellaneous taxes and insurance	(133,029)
S1200-160	Tenant security deposits	6,159
S1200-180	Interest on first mortgage	(643,287)
S1200-181	Interest on second mortgage	(286,277)
S1200-210	Mortgage interest premium	(80,345)
S1200-230	<b>Total disbursements</b>	<u>(2,832,627)</u>
S1200-240	<b>Net cash provided by (used in) operating activities</b>	<u>1,910,683</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

S1200-245	Net deposits to Mortgage Escrow account	(59,837)
S1200-250	Net deposits to Replacement Reserve account	(135,223)
S1200-330	Net purchase of fixed assets	(698,342)
S1200-350	<b>Net cash provided by (used in) investing activities</b>	<u>(893,402)</u>

**CASH FLOW FROM FINANCING ACTIVITIES:**

S1200-360	Principal payments - First mortgage (or bonds)	(616,240)
S1200-361	Principal payments - Second mortgage	(131,357)
S1200-365	Proceeds from mortgages, loans, or notes payable	593,544
S1200-420	Distributions	(800,000)
S1200-460	<b>Net cash provided by (used in) financing activities</b>	<u>(954,053)</u>
S1200-470	<b>Net increase (decrease) in cash and cash equivalents</b>	63,228
S1200-480	<b>Beginning of period cash</b>	<u>1,210,058</u>
S1200T	<b>End of period cash</b>	<u>\$ 1,273,286</u>

**RECONCILIATION OF NET PROFIT (LOSS) TO  
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

3250	<b>Net income (loss)</b>	<u>\$ 841,721</u>
<b>Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:</b>		
6600	Depreciation expense	972,800
6610	Amortization expense	11,299
S1200-486	Amortization of debt issuance costs	16,930
S1200-490	Decrease (increase) in tenant/member accounts receivable	7,600
S1200-500	Decrease (increase) in accounts receivable - Other	(34,892)
S1200-520	Decrease (increase) in prepaid expenses	47,800
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	(11,876)
S1200-540	Increase (decrease) in accounts payable	40,658
S1200-560	Increase (decrease) in accrued liabilities	355
S1200-570	Increase (decrease) in accrued interest payable	327
S1200-580	Increase (decrease) in tenant security deposits held in trust	18,035
S1200-590	Increase (decrease) in prepaid revenue	(74)
S1200-610	<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,910,683</u>

The accompanying notes are an integral part of these financial statements

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Schedule of Reserve for Replacement and**  
**Computation of Surplus Cash, Distributions, and Residual Receipts**  
**For the year ended December 31, 2019**

**SCHEDULE OF RESERVE FOR REPLACEMENT:**

1320P	Balance at beginning of year	\$ 669,435
1320DT	Total monthly deposits	135,000
1320INT	Interest on Replacement Reserve accounts	<u>223</u>
1320	Balance at end of year (confirmed by Mortgagee)	<u><u>\$ 804,658</u></u>

**COMPUTATION OF SURPLUS CASH:**

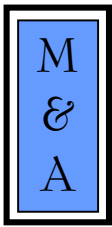
Cash:		
S1300-010	Cash ( <i>Accounts 1120, 1170, 1191</i> )	\$ 1,606,187
1135	Accounts receivable - HUD	550
S1300-040	<b>Total cash</b>	<u><u>1,606,737</u></u>
Current obligations:		
S1300-050	Accrued mortgage (or bond) interest payable	77,853
S1300-075	Accounts payable ( <i>due within 30 days</i> )	275,596
S1300-080	Loans and notes payable ( <i>due within 30 days</i> )	61,964
S1300-100	Accrued expenses ( <i>not escrowed</i> )	(355)
2210	Prepaid revenue	9,325
2191	Tenant/patient deposits held in trust (contra)	328,256
S1300-110	Other current obligations ( <i>Describe</i> )	<u>29,391</u>
S1300-140	<b>Total current obligations</b>	<u><u>782,030</u></u>
S1300-150	<b>Surplus Cash (Deficiency)</b>	<u><u>\$ 824,707</u></u>
S1300-200	<b>Amount Available for Distribution</b> <b>During Next Fiscal Period</b>	<u><u>\$ 824,707</u></u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**Schedule of Changes in Fixed Asset Accounts**  
**For the year ended December 31, 2019**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
1410 Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
1420 Buildings	33,710,227	582,584	-	34,292,811
1440 Building equipment (portable)	5,000	5,522	-	10,522
1460 Furnishings	2,305	-	-	2,305
<b>1400T Total fixed assets</b>	35,067,632	588,106	-	35,655,738
1495 Accumulated depreciation	<u>(4,155,181)</u>	<u>(972,800)</u>	-	<u>(5,127,981)</u>
<b>1400N Total - net book value</b>	<u>\$ 30,912,451</u>	<u>\$ (384,694)</u>	<u>\$ -</u>	<u>\$ 30,527,757</u>

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



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Member  
Lake Creek Village LLC  
Eagle County, Colorado**

### ***Report on Internal Control Over Financial Reporting and Compliance***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lake Creek Village LLC (HUD Project No. 101-11153 and No. 101-10016), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2019 and 2018, and related statements operations and changes in member's capital, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Lake Creek Village LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Creek Village LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Creek Village LLC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Member: American Institute of Certified Public Accountants*

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MICHAEL N. JENKINS, CA, CPA, CGMA  
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**INDEPENDENT AUDITOR'S REPORT**

To the Member  
Lake Creek Village LLC  
Eagle County, Colorado

***Compliance and Other Matters***

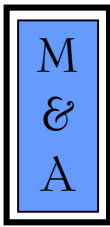
As part of obtaining reasonable assurance about whether Lake Creek Village LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lake Creek Village LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Creek Village LLC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

**McMahan and Associates, L.L.C.**  
**March 26, 2020**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *CONSOLIDATED GUIDE FOR AUDITS OF HUD PROGRAMS***

**To the Member  
Lake Creek Village LLC  
Eagle County, Colorado**

### ***Report on Compliance for Each Major HUD Program***

We have audited the compliance of Lake Creek Village LLC (HUD Project No. 101-11153 and No. 101-10016), a Colorado limited liability company, with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on each of Lake Creek Village LLC's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2019. Direct and material compliance requirements associated with Lake Creek Village LLC's major HUD program (HUD-Insured Loan program) include federal financial reports, fair housing and nondiscrimination; mortgage status; replacement reserves; distributions to owners; equity skimming; cash receipts; cash disbursements; tenant security deposits; management functions; unauthorized change of ownership/ acquisition of liabilities; and unauthorized loans of project funds.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lake Creek Village LLC's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Lake Creek Village LLC's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination on Lake Creek Village LLC's compliance.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

To the Member  
Lake Creek Village LLC  
Eagle County, Colorado

***Opinion on Each Major HUD Program***

In our opinion, Lake Creek Village LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2019.

***Report on Internal Control Over Compliance***

Management of Lake Creek Village LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake Creek Village LLC's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake Creek Village LLC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.



**McMahan and Associates, L.L.C.**  
**March 26, 2020**



**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. 101-11153 and No. 101-10016  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2019**

Our audit disclosed no findings that are required to be reported herein under the *HUD Consolidated Audit Guide for Audits of HUD Programs* for the year ended December 31, 2019.


**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. 101-11153 and No. 101-10016  
AUDITOR'S COMMENTS ON AUDIT RESOLUTION OF MATTERS RELATING TO HUD PROGRAMS  
December 31, 2019**

There were no findings or questioned costs noted for the year ended December 31, 2018.

**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. 101-11153 and No. 101-10016  
CERTIFICATION OF OFFICERS  
December 31, 2019**

I hereby certify that I have examined the accompanying financial statements and supplemental data of Lake Creek Village LLC and, to the best of my knowledge and belief, the same is complete and accurate.

***BY: Eagle County Housing and Development Authority; Lake Creek Village LLC's sole member***

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
March 26, 2020  
Date

Name of Signatory: \_\_\_\_\_ Kim Williams

Title of Certifying Official: \_\_\_\_\_ Executive Director- Eagle County Housing and Development Authority

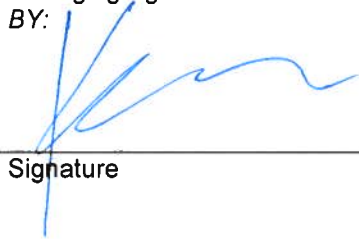
Auditee Telephone Number: \_\_\_\_\_ (970) 328-8773

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. 101-11153 and No. 101-10016**  
**MANAGING AGENT'S CERTIFICATION**  
**December 31, 2019**

I hereby certify that I have examined the accompanying financial statements and supplemental data of Lake Creek Village LLC and, to the best of my knowledge and belief, the same is complete and accurate.

**Eagle County Housing and Development Authority**  
Managing Agent for Lake Creek Village LLC

BY:



\_\_\_\_\_  
Signature

\_\_\_\_\_  
March 26, 2020

Date

Name of Signatory:

\_\_\_\_\_  
Kim Williams

Title of Certifying Official:

\_\_\_\_\_  
Executive Director – Eagle County Housing  
and Development Authority

Auditee Telephone Number:

\_\_\_\_\_  
(970) 328-8773