

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

**Financial Statements  
and  
Supplementary Information**

**December 31, 2016 and 2015**



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

**December 31, 2016 and 2015**

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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. FHA 101-11153), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 12 – 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 12 – 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 12 – 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 6, 2017 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 6, 2017**

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Balance Sheets**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents - Unrestricted	\$ 468,240	\$ 587,273
Cash and cash equivalents - Restricted	1,184,188	1,049,626
Accounts receivable - Tenants, net	15,892	17,554
Accounts receivable - Others	5,000	5,500
Due from Eagle County	20,053	28,713
Deposits and prepaid expenses	119,980	111,310
Fixed assets, net	24,273,298	23,754,738
Investments, net	209,029	220,328
	<u>26,295,680</u>	<u>25,775,042</u>
<b>Total Assets</b>	<u>\$ 26,295,680</u>	<u>\$ 25,775,042</u>
 <b>LIABILITIES AND MEMBER'S CAPITAL</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 113,304	\$ 112,161
Accrued interest payable	56,666	57,858
Construction contracts payable	-	84,717
Due to Eagle County	3,947	5,153
Deferred revenue	26,257	8,448
Tenant security deposits	292,811	278,140
Mortgage note payable, net of unamortized debt issuance costs	26,879,729	27,441,147
	<u>27,372,714</u>	<u>27,987,624</u>
<b>Total Liabilities</b>	<u>27,372,714</u>	<u>27,987,624</u>
<b>MEMBER'S CAPITAL</b>	<u>(1,077,034)</u>	<u>(2,212,582)</u>
<b>Total Liabilities and Member's Capital</b>	<u>\$ 26,295,680</u>	<u>\$ 25,775,042</u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Statement of Operations and Changes in Member's Capital**  
**For the years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Tenant rents	\$ 4,320,474	\$ 3,726,905
Tenant assistance payments	1,856	-
Commerical rents	14,481	12,060
Operating grants and contributions	-	15,000
Other income	<u>148,625</u>	<u>539,911</u>
<b>Total Revenues</b>	<u>4,485,436</u>	<u>4,293,876</u>
<b>OPERATING EXPENSES</b>		
Repairs and maintenance	704,163	723,088
Utilities	700,497	724,472
General and administration	364,623	358,122
Management fees	<u>154,185</u>	<u>156,108</u>
<b>Total Operating Expenses</b>	<u>1,923,468</u>	<u>1,961,790</u>
<b>INCOME (LOSS) from OPERATIONS</b>	2,561,968	2,332,086
<b>OTHER INCOME (EXPENSES)</b>		
Investment earnings	264	113
Capital grants and contributions	-	219,676
Depreciation	(718,467)	(640,843)
Amortization	(11,299)	(5,650)
Interest expense	<u>(696,918)</u>	<u>(711,049)</u>
<b>Net Other Income (Expenses)</b>	<u>(1,426,420)</u>	<u>(1,137,753)</u>
<b>NET INCOME (LOSS)</b>	1,135,548	1,194,333
<b>Member's Capital - Beginning of the year</b>	<u>(2,212,582)</u>	<u>(3,406,915)</u>
<b>Member's Capital - End of the year</b>	<u>\$ (1,077,034)</u>	<u>\$ (2,212,582)</u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Statement of Cash Flows**  
**For the years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received for rents and other services	\$ 4,491,777	4,362,812
Cash received from operating grants and contributions	-	15,000
Investment income received	264	113
Net change in tenant security deposits	14,671	13,998
Interest paid	(687,771)	(701,871)
Cash paid for goods and services	(1,930,917)	(1,994,873)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>1,888,024</u>	<u>1,695,179</u>
<b>Cash Flows From Financing Activities:</b>		
Repayment of long-term debt	(571,757)	(557,655)
Cash received from capital grants and contributions	21,005	150,000
<b>Net Cash Provided (Used) By Financing Activities</b>	<u>(550,752)</u>	<u>(407,655)</u>
<b>Cash Flows From Investing Activities:</b>		
Cash paid to purchase capital assets	(1,321,743)	(2,482,068)
Cash paid for investments	-	(225,977)
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>(1,321,743)</u>	<u>(2,708,045)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	15,529	(1,420,521)
<b>Cash and Cash Equivalents - Beginning</b>	<u>1,636,899</u>	<u>3,057,420</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,652,428</u>	<u>\$ 1,636,899</u>
<b>Cash and Cash Equivalents - Ending is comprised of:</b>		
Cash and cash equivalents - Unrestricted	\$ 468,240	\$ 587,273
Cash and cash equivalents - Restricted	1,184,188	1,049,626
<b>Total</b>	<u>\$ 1,652,428</u>	<u>\$ 1,636,899</u>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	<u>\$ 2,561,968</u>	<u>\$ 2,332,086</u>
<b>Adjustments to reconcile:</b>		
Interest income	264	113
Interest expense, net of amortization of debt issue costs	(686,579)	(700,710)
(Increase) decrease in accounts receivable, net	10,822	42,000
(Increase) decrease in prepaid expenses	(8,670)	1,608
Increase (decrease) in accounts payable and accrued liabilities	(50)	11,248
Increase (decrease) in deferred revenue	(3,196)	3,225
Increase (decrease) in due to Eagle County and related entities	(1,206)	(8,389)
Increase (decrease) in tenant security deposits, net	14,671	13,998
<b>Total Adjustments</b>	<u>(673,944)</u>	<u>(636,907)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ 1,888,024</u>	<u>\$ 1,695,179</u>

The accompanying notes are an integral part of these financial statements

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Notes to the Financial Statements**  
**December 31, 2016**

**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, the Company entered into contract for the subsidization by HUD through a Section 8 Housing Assistance Payments contract ("HAP Contract") of one unit 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 2016 and 2015 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, 2016 and 2015, the Company held restricted cash balances related to security deposits and funding established by the HUD Commitment of Insurance of Advances.

**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, 2016, the Company has recorded an allowance of \$3,479 to provide for amounts which management determined may not be collectible (\$10,854 at December 31, 2015).



**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

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

**F. Fixed Assets**

Fixed assets 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 and are amortized to interest expense over the 35-year term of the HUD-insured Mortgage 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 6, 2017; 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.

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**3. Restricted Cash**

The Company's restricted cash balance is comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Tenant security deposits	\$ 293,791	\$ 281,830
Insurance Recovery escrow	50,803	50,803
Replacement Reserve	711,457	576,271
Mortgage Insurance Premium escrow	<u>128,137</u>	<u>140,722</u>
<b>Total - Restricted Cash</b>	<u><u>\$ 1,184,188</u></u>	<u><u>\$ 1,049,626</u></u>

As a condition of securing HUD's commitment to insure certain mortgage indebtedness of the Company in connection with the acquisition of the Project (the "Commitment"), the Company was required to establish a Unit Repair escrow of \$1,401,600 and a Repair escrow of \$593,538 for identified repairs that were to be completed within 12 months and 36 months, respectively. During 2014 and 2015, amounts were released from these escrow accounts in accordance with terms approved by HUD.

The Commitment also required the Company to establish a Replacement Reserve in the initial amount of \$675,000 and to make monthly contributions of \$11,250 commencing January 2013. All such required contributions had been made at December 31, 2016 and 2015. This account is to be used to make capital improvements and repairs to the Project.

**4. Fixed Assets**

The following are the changes in the Company's fixed assets during the year ended December 31, 2016:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 1,350,100	\$ -	\$ -	1,350,100
Total capital assets not being depreciated	<u>1,350,100</u>	<u>-</u>	<u>-</u>	<u>1,350,100</u>
Capital assets being depreciated:				
Buildings and improvements	24,161,956	1,237,026	-	25,398,982
Furniture	2,364	-	-	2,364
Equipment	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total capital assets being depreciated	24,169,320	1,237,026	-	25,406,346
Accumulated depreciation	<u>(1,764,682)</u>	<u>(718,466)</u>	<u>-</u>	<u>(2,483,148)</u>
Total capital assets being depreciated, net	<u>22,404,638</u>	<u>518,560</u>	<u>-</u>	<u>22,923,198</u>
<b>Total Capital Assets, Net</b>	<u><u>\$ 23,754,738</u></u>	<u><u>\$ 518,560</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,273,298</u></u>

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

**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.

	<b>2016</b>	<b>2015</b>
Investment - Solar array	\$ 225,977	\$ 225,977
Less: Accumulated amortization	(16,948)	(5,649)
<b>Investment - Solar array, net</b>	<b>\$ 209,029</b>	<b>\$ 220,328</b>

**6. Construction Contracts**

The Company has entered into a construction contract with R.A. Nelson, LLC ("Nelson") to perform certain renovations and replacements of individual units (the "Units Contract"). As of December 31, 2016, the total contract value, including approved change orders, of the Units Contract was \$2,724,183. Of this amount, \$2,282,020 had been completed and billed by Nelson through December 31, 2016 on the Units Contract (2015 – \$2,163,580). At December 31, 2016 and 2015, there was a balance of \$0 and \$84,717 included in accounts payable, respectively.

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

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 2016, the Company incurred interest on the HUD-insured Mortgage totaling \$686,579 (2015 – \$700,710). At December 31, 2016, the principal balance of the HUD-insured Mortgage was \$27,199,904 (2015 – \$27,771,661) and accrued interest was \$56,666 (2015 – \$57,858). The HUD-insured Mortgage is reported on the December 31, 2016 balance sheet net of unamortized debt issuance costs of \$320,175 (2015 – \$330,514).

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

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

Future minimum principal payments in each of the next five years following December 31, 2015 and in five-year increments thereafter are as follows:

2017	\$ 586,216
2018	601,041
2019	616,240
2020	631,824
2021	647,802
2022 - 2026	3,493,182
2027 - 2031	3,957,780
2032 - 2036	4,484,169
2037 - 2041	5,080,568
2042 - 2046	5,756,289
2047 - 2048	<u>1,344,793</u>
<b>Total</b>	<b><u>\$ 27,199,904</u></b>

**8. Related Party Transactions**

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

Effective January 1, 2014, 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 agreement had a one-year term. During 2015, the Company and ECHDA executed a new management agreement under substantially similar terms, which expires 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 terms of the agreement also provide for ECHDA to be paid a management fee equal to 3.45% of all residential and miscellaneous income generated by the Project.

During 2016, the Company incurred management fee expense of \$154,185 (2015 - \$156,108) in accordance with the agreement. At December 31, 2016, \$0 was due to ECHDA for such fees (2015 - \$4,131).

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Notes to the Financial Statements**  
**December 31, 2016**  
**(Continued)**

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

**B. Eagle County**

During 2016 and 2015, Eagle County provided certain services to, and incurred expenses on behalf of the Company, including administrative and maintenance personnel. For 2016 and 2015, the following services were provided by Eagle County:

	<u>2016</u>	<u>2015</u>
Repairs and maintenance:		
Wages - Maintenance	\$ 383,415	\$ 354,355
Repairs	9,071	11,990
General and administration:		
Travel and meals	3,993	857
Office expenses	107	2,953
Other expense	1,037	-
Telecommunications	4,761	3,051
Wages - Administration	114,569	132,130
Capital outlay	<u>5,381</u>	<u>226,250</u>
<b>Total</b>	<u><u>\$ 522,334</u></u>	<u><u>\$ 731,586</u></u>

At December 31, 2016 the Company had a balance of \$3,947 payable to Eagle County in respect of services provided and other reimbursements (2015 – \$5,153). At December 31, 2016, the Company recorded a receivable from Eagle County of \$20,053 related to a true-up of actual wage expense compared to budgeted wage expense (2015 – \$28,713), which was repaid by Eagle County in January 2017 (2015 – March 2016).

**9. 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.

**10. Change in Accounting for Debt Issuance Costs**

Effective in 2016, the Company adopted Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), issued by the Financial Accounting Standards Board. ASU 2015-03 requires that the Company change the presentation of debt issuance costs on its financial statements, such that, effective January 1, 2016, debt issuance costs are presented as a reduction of long-term debt instead of being presented as an asset on the balance sheet, and to report amortization of debt issuance costs as interest expense. Implementation of ASU 2015-03 is to be applied retrospectively to all prior periods presented.

Accordingly, the December 31, 2015 balance sheet has been restated to reclassify \$330,514 of unamortized debt issuance costs from Deferred Costs to an equivalent reduction in the Partnership’s long-term debt.

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Balance Sheet - HUD Basis**  
**December 31, 2016**

**ASSETS**

Current assets:

1120	Cash - Operations	\$ 468,240
1130	Tenant/member accounts receivable	19,371
1131	Allowance for doubtful accounts	(3,479)
	1130N Net tenant accounts receivable	<u>15,892</u>
1140	Accounts and notes receivable - Operations	25,053
1200	Prepaid expenses	<u>119,980</u>
	1100T Total current assets	<u>629,165</u>

Deposits held in trust:

1191	Tenant/patient deposits held in trust	293,790
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Restricted deposits and funded reserves:

1310	Escrow deposits	128,137
1320	Replacement Reserve	711,457
1330	Other reserves	50,804
	1300T Total deposits	<u>890,398</u>

Fixed assets:

1410	Land	1,350,100
1420	Buildings	25,398,982
1440	Building equipment (portable)	5,000
1460	Furnishings	2,364
	1400T Total fixed assets	<u>26,756,446</u>
1495	Accumulated depreciation	(2,483,148)
	1400N Net fixed assets	<u>24,273,298</u>

Other assets:

1520	Deferred financing costs	320,175
1590	Miscellaneous other assets	209,029
	1500T Total other assets	<u>529,204</u>
	1000T <b>Total Assets</b>	<u><u>\$ 26,615,855</u></u>

**LIABILITIES**

Current liabilities:

2110	Accounts payable - Operations	\$ 117,251
2131	Accrued interest payable - First mortgage (or bonds)	56,666
2210	Prepaid revenue	26,257
	2122T Total current liabilities	<u>200,174</u>

Other liabilities:

2191	Tenant/patient deposits held in trust (contra)	292,811
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Long-term liabilities:

2320	Mortgage (or bonds) payable - First mortgage (bonds)	27,199,904
	2300T Total long-term liabilities	<u>27,199,904</u>
	2000T <b>Total Liabilities</b>	<u>27,692,889</u>

**MEMBERS' CAPITAL**

3130	Total Equity	<u>(1,077,034)</u>
	2033T <b>Total Liabilities and Equity</b>	<u><u>\$ 26,615,855</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. FHA 101-11153**  
**Statement of Profit and Loss - HUD Basis**  
**For the year ended December 31, 2016**

**REVENUE**

Rent revenue:		
5120	Rent revenue - Gross potential	\$ 4,510,850
5121	Tenant assistance payments	1,856
5140	Rent revenue - Stores and commerical	14,481
	5100T Total rent revenue	<u>4,527,187</u>
Vacancies:		
5220	Vacancies - Apartments	(190,376)
	5200T Total vacancies	<u>(190,376)</u>
	5152N Net rental revenue (rent revenue less vacancies)	<u>4,336,811</u>
Financial revenue:		
5410	Financial revenue - Project operations	264
	5400T Total financial revenue	<u>264</u>
Other revenue:		
5910	Laundry and vending revenue	76,589
5920	Tenant charges	54,680
5990	Miscellaneous revenue	17,356
	5900T Total other revenue	<u>148,625</u>
	5000T <b>Total Revenue</b>	<u>4,485,700</u>

**EXPENSES**

Administrative expenses:		
6210	Advertising and marketing	1,233
6311	Office expenses	26,625
6320	Management fee	154,185
6330	Manager or superintendent salaries	101,747
6340	Legal expense - Project	4,771
6350	Audit expense	11,425
6370	Bad debts	4,406
6390	Miscellaneous administrative expenses	2,539
	6263T Total administrative expenses	<u>306,931</u>
Utilities expenses:		
6450	Electricity	155,725
6451	Water	194,553
6452	Gas	163,544
6453	Sewer	137,075
	6400T Total utilities expenses	<u>650,897</u>
Operating and maintenance expenses:		
6515	Supplies	250,793
6520	Contracts	396,011
6525	Garbage and trash removal	49,601
6548	Snow removal	21,212
	6500T Total operating and maintenance expenses	<u>717,617</u>
Taxes and insurance:		
6711	Payroll taxes - Project's share	21,431
6720	Property and liability insurance - Hazard	72,607
6722	Workmen's Compensation	13,922
6723	Health insurance and other employee benefits	16,481
	6700T Total taxes and insurance	<u>124,441</u>
Financial expenses:		
6820	Interest on first mortgage (or bonds) payable	686,579
6850	Mortgage insurance premium/service charge	123,582
	6800T Total financial expenses	<u>810,161</u>
	6000T <b>Total Cost of Operations before Depreciation</b>	<u>2,610,047</u>
	5060T <b>Profit (Loss) before Depreciation</b>	<u>1,875,653</u>
6600	Depreciation expense	718,467
6610	Amortization expense	21,638
	3250 <b>Net Income (Loss)</b>	<u>\$ 1,135,548</u>

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

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Statement of Changes in Members' Capital - HUD Basis**  
**For the year ended December 31, 2016**

**MEMBERS' CAPITAL - BEGINNING OF YEAR:**

S1100-010 Beginning of Year Balance \$ (2,212,582)

3250 Net Income (Loss) 1,135,548

**MEMBERS' CAPITAL - END OF YEAR:**

3130 End of Year \$ (1,077,034)

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



**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Statement of Cash Flows - HUD Basis**  
**For the year ended December 31, 2016**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Receipts:	
S1200-010 Rental receipts	\$ 4,363,657
S1200-020 Interest received	264
S1200-030 Other operating receipts	157,785
S1200-040 <b>Total receipts</b>	<u>4,521,706</u>
Disbursements:	
S1200-050 Administrative	(55,583)
S1200-070 Management fee	(158,316)
S1200-090 Utilities	(624,992)
S1200-100 Salaries and wages	(101,747)
S1200-110 Operating and maintenance	(732,839)
S1200-140 Property insurance	(88,280)
S1200-150 Miscellaneous taxes and insurance	(51,833)
S1200-160 Tenant security deposits	2,711
S1200-180 Interest on first mortgage	(687,771)
S1200-210 Mortgage interest premium	(116,579)
S1200-230 <b>Total disbursements</b>	<u>(2,615,229)</u>
S1200-240 <b>Net cash provided by (used in) operating activities</b>	<u>1,906,477</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

S1200-245 Net deposits to Mortgage Escrow account	12,585
S1200-250 Net deposits to Replacement Reserve account	(135,187)
S1200-330 Net purchase of fixed assets	(1,331,151)
S1200-350 <b>Net cash provided by (used in) investing activities</b>	<u>(1,453,753)</u>

**CASH FLOW FROM FINANCING ACTIVITIES:**

S1200-360 Principal payments - First mortgage (or bonds)	(571,757)
S1200-460 <b>Net cash provided by (used in) financing activities</b>	<u>(571,757)</u>
S1200-470 <b>Net increase (decrease) in cash and cash equivalents</b>	(119,033)
S1200-480 <b>Beginning of period cash</b>	<u>587,273</u>
S1200T <b>End of period cash</b>	<u>\$ 468,240</u>

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

3250 <b>Net income (loss)</b>	<u>\$ 1,135,548</u>
<b>Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:</b>	
6600 Depreciation expense	718,467
6610 Amortization expense	21,638
S1200-490 Decrease (increase) in tenant/member accounts receivable	1,662
S1200-500 Decrease (increase) in accounts receivable - Other	9,160
S1200-520 Decrease (increase) in prepaid expenses	(8,670)
S1200-530 Decrease (increase) in cash restricted for tenant security deposits	(11,960)
S1200-540 Increase (decrease) in accounts payable	13,475
S1200-560 Increase (decrease) in accrued liabilities	(4,131)
S1200-570 Increase (decrease) in accrued interest payable	(1,192)
S1200-580 Increase (decrease) in tenant security deposits held in trust	14,671
S1200-590 Increase (decrease) in prepaid revenue	17,809
S1200-610 <b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,906,477</u>

The accompanying notes are an integral part of these financial statements

**Lake Creek Village LLC**  
**(A Colorado Limited Liability Company)**  
**HUD Project No. FHA 101-11153**  
**Schedule of Reserve for Replacement and**  
**Computation of Surplus Cash, Distributions, and Residual Receipts**  
**For the year ended December 31, 2016**

**SCHEDULE OF RESERVE FOR REPLACEMENT:**

1320P	Balance at beginning of year	\$ 576,271
1320DT	Total monthly deposits	135,000
1320INT	Interest on Replacement Reserve accounts	<u>186</u>
1320	Balance at end of year (confirmed by Mortgagee)	<u><u>\$ 711,457</u></u>

**COMPUTATION OF SURPLUS CASH:**

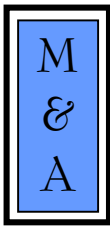
Cash:		
S1300-010	Cash ( <i>Accounts 1120, 1170, 1191</i> )	<u>\$ 762,030</u>
S1300-040	<b>Total cash</b>	<u>762,030</u>
Current obligations:		
S1300-050	Accrued mortgage (or bond) interest payable	56,666
S1300-075	Accounts payable ( <i>due within 30 days</i> )	117,250
S1300-080	Loans and notes payable ( <i>due within 30 days</i> )	48,294
2210	Prepaid revenue	26,257
2191	Tenant/patient deposits held in trust (contra)	<u>292,811</u>
S1300-140	<b>Total current obligations</b>	<u>541,278</u>
S1300-150	<b>Surplus Cash (Deficiency)</b>	<u><u>\$ 220,752</u></u>
S1300-200	<b>Amount Available for Distribution During Next Fiscal Period</b>	<u><u>\$ 220,752</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. FHA 101-11153**  
**Schedule of Changes in Fixed Asset Accounts**  
**For the year ended December 31, 2016**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
1410 Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
1420 Buildings	24,161,956	1,237,026	-	25,398,982
1440 Building equipment (portable)	5,000	-	-	5,000
1460 Furnishings	2,364	-	-	2,364
<b>1400T Total fixed assets</b>	<b>25,519,420</b>	<b>1,237,026</b>	<b>-</b>	<b>26,756,446</b>
1495 Accumulated depreciation	(1,764,682)	(718,466)	-	(2,483,148)
<b>1400N Total - net book value</b>	<b><u>\$ 23,754,738</u></b>	<b><u>\$ 518,560</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 24,273,298</u></b>

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



# MCMAHAN AND ASSOCIATES, L.L.C.

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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. FHA 101-11153), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2016 and 2015, 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 6, 2017.

### ***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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**INDEPENDENT AUDITOR'S REPORT**

To the Member  
Lake Creek Village LLC  
Eagle County, Colorado

***Compliance and Other Matters***

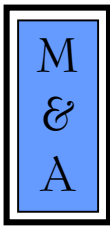
As part of obtaining reasonable assurance about whether Lake Creek Village LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 6, 2017**



# 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. FHA 101-11153), 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, 2016. Direct and material compliance requirements associated with Lake Creek Village LLC's major HUD program (HUD-Insured Loan program) include governing federal financial reports, mortgage status, replacement reserves, residual receipts, distributions to owners, equity skimming, unauthorized change of ownership/ acquisition of liabilities, unauthorized loans of project funds, and excess income.

### ***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, 2016.

***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.

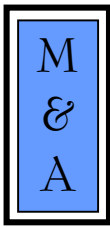
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a 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.*

**McMahan and Associates, L.L.C.**  
**March 6, 2017**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FAIR HOUSING AND NON-DISCRIMINATION

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

We have applied procedures to test the compliance of Lake Creek Village LLC (HUD Project No. FHA 101-11153), a Colorado limited partnership, with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted program for the year ended December 31, 2016.

Our procedures were limited to the applicable compliance requirement described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Lake Creek Village LLC's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

The purpose of this report is solely to describe the scope of our testing of Lake Creek Village LLC's compliance with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted program for the year ended December 31, 2016 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.*

**McMahan and Associates, L.L.C.  
March 6, 2017**

*Member: American Institute of Certified Public Accountants*

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**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. FHA 101-11153  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2016**

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, 2016.

**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. FHA 101-11153  
AUDITOR'S COMMENTS ON AUDIT RESOLUTION OF MATTERS RELATING TO HUD PROGRAMS  
December 31, 2016**

There were no findings or questioned costs noted for the year ended December 31, 2015.

**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. FHA 101-11153  
CERTIFICATION OF OFFICERS  
December 31, 2016**

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 6, 2017 Date
--	-----------------------

Name of Signatory:	Jill Klosterman
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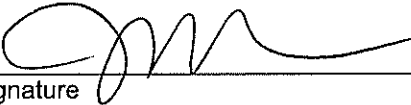
Title of Certifying Official:	Executive Director- Eagle County Housing and Development Authority
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Auditee Telephone Number:	(970) 328-8773
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**Lake Creek Village LLC  
(A Colorado Limited Liability Company)  
HUD Project No. FHA 101-11153  
MANAGING AGENT'S CERTIFICATION  
December 31, 2016**

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 6, 2017  
\_\_\_\_\_  
Date

Name of Signatory:

Jill Klosterman  
\_\_\_\_\_

Title of Certifying Official:

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

Auditee Telephone Number:

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