

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

**Financial Statements
and
Supplementary Information**

December 31, 2017 and 2016

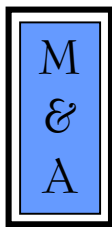


Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016

December 31, 2017 and 2016

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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 and No. FHA 101-10016), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2017 and 2016, 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.

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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, 2017 and 2016, 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 – 27 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 – 27 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 – 27 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 23, 2018 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.

**McMahan and Associates, L.L.C.
March 23, 2018**

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Balance Sheets
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 1,374,803	\$ 468,240
Cash and cash equivalents - Restricted	1,257,272	1,184,188
Accounts receivable - Tenants, net	22,844	15,892
Accounts receivable - Others	13,219	5,000
Due from Eagle County	-	20,053
Deposits and prepaid expenses	59,606	119,980
Fixed assets, net	26,975,488	24,273,298
Investments, net	197,730	209,029
Total Assets	<u><u>\$ 29,900,962</u></u>	<u><u>\$ 26,295,680</u></u>
LIABILITIES AND MEMBER'S CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	\$ 87,009	\$ 113,304
Accrued interest payable	60,804	56,666
Construction contracts payable	906,715	-
Due to Eagle County	7,101	3,947
Deferred revenue	2,244	26,257
Tenant security deposits	299,170	292,811
Mortgage notes payable, net of unamortized debt issuance costs	28,032,735	26,879,729
Total Liabilities	<u>29,395,778</u>	<u>27,372,714</u>
MEMBER'S CAPITAL	<u>505,184</u>	<u>(1,077,034)</u>
Total Liabilities and Member's Capital	<u><u>\$ 29,900,962</u></u>	<u><u>\$ 26,295,680</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 and No. FHA 101-10016
Statement of Operations and Changes in Member's Capital
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Tenant rents	\$ 4,313,628	\$ 4,320,474
Tenant assistance payments	65,615	1,856
Commerical rents	-	14,481
Other income	127,988	148,625
	<u>4,507,231</u>	<u>4,485,436</u>
Total Revenues		
	<u>4,507,231</u>	<u>4,485,436</u>
OPERATING EXPENSES		
Repairs and maintenance	743,926	704,163
Utilities	706,830	700,497
General and administration	376,045	364,623
Management fees	155,302	154,185
	<u>1,982,103</u>	<u>1,923,468</u>
Total Operating Expenses		
	<u>1,982,103</u>	<u>1,923,468</u>
INCOME (LOSS) from OPERATIONS	2,525,128	2,561,968
OTHER INCOME (EXPENSES)		
Investment earnings	286	264
Capital grants and contributions	534,224	-
Depreciation	(776,760)	(718,467)
Amortization	(11,299)	(11,299)
Interest expense	(689,361)	(696,918)
	<u>(942,910)</u>	<u>(1,426,420)</u>
Net Other Income (Expenses)		
	<u>(942,910)</u>	<u>(1,426,420)</u>
NET INCOME (LOSS)	1,582,218	1,135,548
Member's Capital - Beginning of the year	<u>(1,077,034)</u>	<u>(2,212,582)</u>
Member's Capital - End of the year	<u>\$ 505,184</u>	<u>\$ (1,077,034)</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 and No. FHA 101-10016
Statement of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Cash received for rents and other services	\$ 4,489,052	4,491,777
Investment income received	286	264
Net change in tenant security deposits	6,359	14,671
Interest paid	(673,310)	(687,771)
Cash paid for goods and services	(1,921,338)	(1,930,917)
Net Cash Provided (Used) By Operating Activities	<u>1,901,049</u>	<u>1,888,024</u>
Cash Flows From Financing Activities:		
Cash received from long-term debt proceeds	1,926,258	-
Repayment of long-term debt	(586,216)	(571,757)
Cash received from capital grants and contributions	513,219	21,005
Debt issuance costs paid	(204,424)	-
Net Cash Provided (Used) By Financing Activities	<u>1,648,837</u>	<u>(550,752)</u>
Cash Flows From Investing Activities:		
Cash paid to purchase capital assets	(2,570,239)	(1,321,743)
Net Cash Provided (Used) By Investing Activities	<u>(2,570,239)</u>	<u>(1,321,743)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	979,647	15,529
Cash and Cash Equivalents - Beginning	<u>1,652,428</u>	<u>1,636,899</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 2,632,075</u></u>	<u><u>\$ 1,652,428</u></u>
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	\$ 1,374,803	\$ 468,240
Cash and cash equivalents - Restricted	1,257,272	1,184,188
Total	<u><u>\$ 2,632,075</u></u>	<u><u>\$ 1,652,428</u></u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	<u>\$ 2,525,128</u>	<u>\$ 2,561,968</u>
Adjustments to reconcile:		
Interest income	286	264
Interest expense, net of amortization of debt issue costs	(671,973)	(686,579)
Interest capitalized to construction in progress	(5,475)	-
(Increase) decrease in accounts receivable, net	4,882	10,822
(Increase) decrease in prepaid expenses	60,374	(8,670)
Increase (decrease) in accounts payable and accrued liabilities	(18,678)	(50)
Increase (decrease) in deferred revenue	(3,008)	(3,196)
Increase (decrease) in due to Eagle County and related entities	3,154	(1,206)
Increase (decrease) in tenant security deposits, net	6,359	14,671
Total Adjustments	<u>(624,079)</u>	<u>(673,944)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 1,901,049</u></u>	<u><u>\$ 1,888,024</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 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 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, 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 2017 and 2016 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, 2017 and 2016, 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, 2017, the Company has recorded an allowance of \$3,479 to provide for amounts which management determined may not be collectible (\$3,479 at December 31, 2016).

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 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 terms 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 23, 2018; 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 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

3. Restricted Cash

The Company's restricted cash balance is comprised of the following at December 31, 2017 and 2016:

	2017	2016
Tenant security deposits	\$ 301,748	\$ 293,791
Insurance Recovery escrow	50,803	50,803
Replacement Reserve	534,254	711,457
Working Capital and Construction Contingency escrow	156,452	-
Mortgage Insurance Premium escrow	214,015	128,137
Total - Restricted Cash	\$ 1,257,272	\$ 1,184,188

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, 2017 and 2016. This account is 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"), which began in 2017 and expecting completion in 2018, the Company was required to establish a Working Capital and Construction Contingency escrow of \$156,452 for identified costs as outlined in the Escrow Agreement for Working Capital.

The Re-siding Project Commitment also required the Company to establish a Replacement Reserve to which monthly contributions of \$10,463, commencing January 2019, are to be made. No contributions were required as December 31, 2017 and 2016. 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, 2017:

	Balance 12/31/16	Additions	Disposals	Balance 12/31/17
Capital assets not being depreciated:				
Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
Total capital assets not being depreciated	1,350,100	-	-	1,350,100
Capital assets being depreciated:				
Buildings and improvements	25,398,982	3,478,951	-	28,877,933
Furniture	2,364	-	59	2,305
Equipment	5,000	-	-	5,000
Total capital assets being depreciated	25,406,346	3,478,951	59	28,885,238
Accumulated depreciation	(2,483,148)	(776,760)	(58)	(3,259,850)
Total capital assets being depreciated, net	22,923,198	2,702,191	1	25,625,388
Total Capital Assets, Net	\$ 24,273,298	\$ 2,702,191	\$ 1	\$ 26,975,488

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 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.

	<u>2017</u>	<u>2016</u>
Investment - Solar array	\$ 225,977	\$ 225,977
Less: Accumulated amortization	<u>(28,247)</u>	<u>(16,948)</u>
Investment - Solar array, net	<u><u>\$ 197,730</u></u>	<u><u>\$ 209,029</u></u>

6. Construction Contracts

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"). As of December 31, 2017, the total contract value of the Exterior Contract was \$7,436,182. Of this amount, \$2,920,301 had been completed and billed by Nelson through December 31, 2017 on the Exterior Contract, with \$906,715 in construction contracts payable at year-end (2016 – \$0), including retainage of \$317,894 (2016 – \$0).

7. HUD-Insured Mortgage Notes Payable

A Project No. FHA 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 2017, the Company incurred interest on the HUD-insured Mortgage totaling \$671,973 (2016 – \$686,579). At December 31, 2017, the principal balance of the HUD-insured Mortgage was \$26,613,688 (2016 – \$27,199,904) and accrued interest was \$55,329 (2016 – \$56,666). The HUD-insured Mortgage is reported on the December 31, 2017 balance sheet net of unamortized debt issuance costs of \$309,836 (2016 – \$320,175).

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

7. HUD-Insured Mortgage Notes Payable (continued)

B. Project No. FHA 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 \$7,622,000. The Re-siding Project Mortgage is insured by HUD under section 223(f) of National Housing Act of 1934, as amended, and is secured by a second deed of trust on the Project. Proceeds of the loan are disbursed by Wells Fargo upon request of the Company as the re-siding project progresses. 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 \$38,768 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 2017, the Company capitalized interest on the Re-siding Project Mortgage as renovation costs totaling \$5,475 (2016 – \$0). At December 31, 2017, the principal balance of the Re-siding Project Mortgage was \$1,926,258 (2016 – \$0) and accrued interest was \$5,475 (2016 – \$0). The Re-siding Project Mortgage is reported on the December 31, 2017 balance sheet net of unamortized debt issuance costs of \$197,375 (2016 – \$0).

C. Schedule of Future Payments

Future minimum principal payments in each of the next five years following December 31, 2017 and in five-year increments thereafter are as follows:

	Project No.	Project No.	
	FHA 101-11153	FHA 101-10016	Total
2018	\$ 601,041	\$ -	\$ 601,041
2019	616,240	392,155	1,008,395
2020	631,824	408,865	1,040,689
2021	647,802	426,287	1,074,089
2022	664,184	444,451	1,108,635
2023 - 2027	3,581,520	254,500	3,836,020
2028 - 2032	4,057,866	-	4,057,866
2033 - 2037	4,597,566	-	4,597,566
2038 - 2042	5,209,048	-	5,209,048
2043 - 2047	5,901,857	-	5,901,857
2048	104,740	-	104,740
Total	\$ 26,613,688	\$ 1,926,258	\$ 28,539,946

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

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 2017, the Company incurred management fee expense of \$155,302 (2016 – \$154,185) in accordance with the agreement. At December 31, 2017, \$0 was due to ECHDA for such fees (2016 – \$0).

B. Eagle County

During 2017 and 2016, Eagle County provided certain services to, and incurred expenses on behalf of the Company, including administrative and maintenance personnel. For 2017 and 2016, the following services were provided by Eagle County:

	<u>2017</u>	<u>2016</u>
Repairs and maintenance:		
Wages - Maintenance	\$ 413,890	\$ 383,415
Repairs	4,259	9,071
General and administration:		
Travel and meals	2,576	3,993
Office expenses	424	107
Other expense	1,517	1,037
Telecommunications	3,176	4,761
Wages - Administration	100,589	114,569
Capital outlay	<u>-</u>	<u>5,381</u>
Total	<u>\$ 526,431</u>	<u>\$ 522,334</u>

At December 31, 2017 the Company had a balance of \$7,101 payable to Eagle County in respect of services provided and other reimbursements (2016 – \$3,947). At December 31, 2017, the Company recorded a receivable from Eagle County of \$0 related to a true-up of actual wage expense compared to budgeted wage expense (2016 – \$20,053).

In connection with the exterior renovation project, the Company received a \$500,000 contribution in 2017 (2016 – \$0) to assist in funding repairs of unforeseen structural issues.

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

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.

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
Balance Sheet - HUD Basis
December 31, 2017

ASSETS

Current assets:

1120	Cash - Operations	\$ 1,374,803
1130	Tenant/member accounts receivable	26,323
1131	Allowance for doubtful accounts	(3,479)
1130N	Net tenant accounts receivable	<u>22,844</u>
1140	Accounts and notes receivable - Operations	13,219
1200	Prepaid expenses	<u>59,606</u>
1100T	Total current assets	<u>1,470,472</u>

Deposits held in trust:

1191	Tenant/patient deposits held in trust	301,748
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Restricted deposits and funded reserves:

1310	Escrow deposits	214,015
1320	Replacement Reserve	534,254
1330	Other reserves	<u>207,255</u>
1300T	Total deposits	<u>955,524</u>

Fixed assets:

1410	Land	1,350,100
1420	Buildings	28,877,933
1440	Building equipment (portable)	5,000
1460	Furnishings	<u>2,305</u>
1400T	Total fixed assets	30,235,338
1495	Accumulated depreciation	<u>(3,259,850)</u>
1400N	Net fixed assets	<u>26,975,488</u>

Other assets:

1590	Miscellaneous other assets	<u>197,730</u>
1500T	Total other assets	<u>197,730</u>
1000T	Total Assets	<u><u>\$ 29,900,962</u></u>

LIABILITIES

Current liabilities:

2110	Accounts payable - Operations	\$ 94,110
2111	Accounts payable - Construction/development	906,715
2131	Accrued interest payable - First mortgage (or bonds)	55,329
2132	Accrued interest payable - Other mortgages	5,475
2210	Prepaid revenue	<u>2,244</u>
2122T	Total current liabilities	<u>1,063,873</u>

Other liabilities:

2191	Tenant/patient deposits held in trust (contra)	299,170
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Long-term liabilities:

2320	Mortgage (or bonds) payable - First mortgage (bonds)	26,303,852
2322	Other mortgages payable (long term)	<u>1,728,883</u>
2300T	Total long-term liabilities	<u>28,032,735</u>
2000T	Total Liabilities	<u>29,395,778</u>

MEMBERS' CAPITAL

3130	Total Equity	<u>505,184</u>
2033T	Total Liabilities and Equity	<u><u>\$ 29,900,962</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 and No. FHA 101-10016
Statement of Profit and Loss - HUD Basis
For the year ended December 31, 2017

REVENUE

Rent revenue:		
5120	Rent revenue - Gross potential	\$ 4,434,942
5121	Tenant assistance payments	65,615
5100T	Total rent revenue	<u>4,500,557</u>
Vacancies:		
5220	Vacancies - Apartments	(121,314)
5200T	Total vacancies	<u>(121,314)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>4,379,243</u>
Financial revenue:		
5410	Financial revenue - Project operations	286
5400T	Total financial revenue	<u>286</u>
Other revenue:		
5910	Laundry and vending revenue	77,110
5920	Tenant charges	44,979
5990	Miscellaneous revenue	540,123
5900T	Total other revenue	<u>662,212</u>
5000T	Total Revenue	<u>5,041,741</u>

EXPENSES

Administrative expenses:		
6210	Advertising and marketing	991
6311	Office expenses	22,988
6320	Management fee	155,302
6330	Manager or superintendent salaries	74,570
6340	Legal expense - Project	3,813
6350	Audit expense	11,500
6370	Bad debts	12,130
6390	Miscellaneous administrative expenses	2,255
6263T	Total administrative expenses	<u>283,549</u>
Utilities expenses:		
6450	Electricity	160,784
6451	Water	192,943
6452	Gas	163,902
6453	Sewer	138,938
6400T	Total utilities expenses	<u>656,567</u>
Operating and maintenance expenses:		
6515	Supplies	251,610
6520	Contracts	314,020
6525	Garbage and trash removal	50,263
6548	Snow removal	22,203
6500T	Total operating and maintenance expenses	<u>638,096</u>
Taxes and insurance:		
6711	Payroll taxes - Project's share	23,576
6720	Property and liability insurance - Hazard	73,363
6722	Workmen's Compensation	12,918
6723	Health insurance and other employee benefits	148,289
6700T	Total taxes and insurance	<u>258,146</u>
Financial expenses:		
6820	Interest on first mortgage (or bonds) payable	682,312
6825	Interest on other mortgages	7,049
6850	Mortgage insurance premium/service charge	145,745
6800T	Total financial expenses	<u>835,106</u>
6000T	Total Cost of Operations before Depreciation	<u>2,671,464</u>
5060T	Profit (Loss) before Depreciation	<u>2,370,277</u>
6600	Depreciation expense	776,760
6610	Amortization expense	11,299
3250	Net Income (Loss)	<u>\$ 1,582,218</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 and No. FHA 101-10016
Statement of Changes in Members' Capital - HUD Basis
For the year ended December 31, 2017

MEMBERS' CAPITAL - BEGINNING OF YEAR:

S1100-010	Beginning of Year Balance	\$ (1,077,034)
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3250	Net Income (Loss)	<u>1,582,218</u>
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MEMBERS' CAPITAL - END OF YEAR:

3130	End of Year	<u><u>\$ 505,184</u></u>
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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 and No. FHA 101-10016
Statement of Cash Flows - HUD Basis
For the year ended December 31, 2017

CASH FLOW FROM OPERATING ACTIVITIES:

Receipts:		
S1200-010 Rental receipts	\$	4,348,278
S1200-020 Interest received		286
S1200-030 Other operating receipts		675,811
S1200-040 Total receipts		<u>5,024,375</u>
Disbursements:		
S1200-050 Administrative		(49,590)
S1200-070 Management fee		(155,302)
S1200-090 Utilities		(677,477)
S1200-100 Salaries and wages		(74,570)
S1200-110 Operating and maintenance		(640,935)
S1200-140 Property insurance		(428)
S1200-150 Miscellaneous taxes and insurance		(184,783)
S1200-160 Tenant security deposits		(1,599)
S1200-180 Interest on first mortgage		(673,310)
S1200-210 Mortgage interest premium		(195,071)
S1200-230 Total disbursements		<u>(2,653,065)</u>
S1200-240 Net cash provided by (used in) operating activities		<u>2,371,310</u>

CASH FLOW FROM INVESTING ACTIVITIES:

S1200-245 Net deposits to Mortgage Escrow account		(85,878)
S1200-250 Net deposits to Replacement Reserve account		177,203
S1200-255 Net deposits to other reserves		(156,452)
S1200-330 Net purchase of fixed assets		(2,570,238)
S1200-350 Net cash provided by (used in) investing activities		<u>(2,635,365)</u>

CASH FLOW FROM FINANCING ACTIVITIES:

S1200-360 Principal payments - First mortgage (or bonds)		(586,216)
S1200-365 Proceeds from mortgages, loans, or notes payable		1,926,258
S1200-450 Other financing activities		(169,424)
S1200-460 Net cash provided by (used in) financing activities		<u>1,170,618</u>
S1200-470 Net increase (decrease) in cash and cash equivalents		906,563
S1200-480 Beginning of period cash		<u>468,240</u>
S1200T End of period cash	\$	<u>1,374,803</u>

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

3250 Net income (loss)	\$	<u>1,582,218</u>
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:		
6600 Depreciation expense		776,760
6610 Amortization expense		11,299
S1200-486 Amortization of debt issuance costs		17,388
S1200-490 Decrease (increase) in tenant/member accounts receivable		(6,952)
S1200-500 Decrease (increase) in accounts receivable - Other		11,834
S1200-520 Decrease (increase) in prepaid expenses		25,374
S1200-530 Decrease (increase) in cash restricted for tenant security deposits		(7,958)
S1200-540 Increase (decrease) in accounts payable		(19,662)
S1200-570 Increase (decrease) in accrued interest payable		(1,337)
S1200-580 Increase (decrease) in tenant security deposits held in trust		6,359
S1200-590 Increase (decrease) in prepaid revenue		(24,013)
S1200-610 Net cash provided by (used in) operating activities	\$	<u>2,371,310</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 and No. FHA 101-10016
Schedule of Reserve for Replacement and
Computation of Surplus Cash, Distributions, and Residual Receipts
For the year ended December 31, 2017

SCHEDULE OF RESERVE FOR REPLACEMENT:

1320P	Balance at beginning of year	\$ 711,457
1320DT	Total monthly deposits	135,000
1320INT	Interest on Replacement Reserve accounts	180
1320WT	Approved withdrawals	<u>(312,383)</u>
1320	Balance at end of year (confirmed by Mortgagee)	<u><u>\$ 534,254</u></u>

COMPUTATION OF SURPLUS CASH:

Cash:

S1300-010	Cash (<i>Accounts 1120, 1170, 1191</i>)	\$ 1,676,551
S1300-040	Total cash	<u>1,676,551</u>

Current obligations:

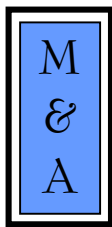
S1300-050	Accrued mortgage (or bond) interest payable	60,804
S1300-075	Accounts payable (<i>due within 30 days</i>)	94,109
S1300-080	Loans and notes payable (<i>due within 30 days</i>)	49,515
2210	Prepaid revenue	2,244
2191	Tenant/patient deposits held in trust (contra)	299,170
S1300-110	Other current obligations (<i>Describe</i>)	<u>11,250</u>
S1300-140	Total current obligations	<u>517,092</u>
S1300-150	Surplus Cash (Deficiency)	<u><u>\$ 1,159,459</u></u>
S1300-200	Amount Available for Distribution During Next Fiscal Period	<u><u>\$ 1,159,459</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 and No. FHA 101-10016
Schedule of Changes in Fixed Asset Accounts
For the year ended December 31, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
1410 Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
1420 Buildings	25,398,982	3,478,951	-	28,877,933
1440 Building equipment (portable)	5,000	-	-	5,000
1460 Furnishings	<u>2,364</u>	<u>-</u>	<u>(59)</u>	<u>2,305</u>
1400T Total fixed assets	26,756,446	3,478,951	(59)	30,235,338
1495 Accumulated depreciation	<u>(2,483,148)</u>	<u>(776,760)</u>	<u>58</u>	<u>(3,259,850)</u>
1400N Total - net book value	<u>\$ 24,273,298</u>	<u>\$ 2,702,191</u>	<u>\$ (1)</u>	<u>\$ 26,975,488</u>

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 and No. FHA 101-10016), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2017 and 2016, 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 23, 2018.

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

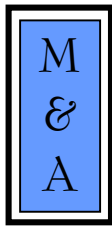
As part of obtaining reasonable assurance about whether Lake Creek Village LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 23, 2018**



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 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, 2017. 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, 2017.

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.

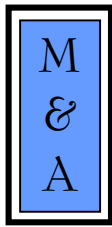
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD 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 23, 2018**



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 and No. FHA 101-10016), a Colorado limited partnership, with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted program for the year ended December 31, 2017.

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, 2017 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 23, 2018**

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 and No. FHA 101-10016
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017**

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, 2017.

**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, 2017**

There were no findings or questioned costs noted for the year ended December 31, 2016.

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. FHA 101-11153 and No. FHA 101-10016
CERTIFICATION OF OFFICERS
December 31, 2017

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 23, 2018
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. FHA 101-11153 and No. FHA 101-10016
MANAGING AGENT'S CERTIFICATION
December 31, 2017

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 23, 2018

Date

Name of Signatory:

Kim Williams

Title of Certifying Official:

Executive Director – Eagle County Housing
and Development Authority

Auditee Telephone Number:

(970) 328-8773