

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

**Financial Statements
and
Supplementary Information**

December 31, 2020 and 2019

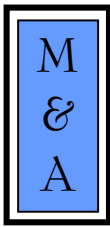


Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Creek Village LLC (HUD Project No. 101-11153 and No. 101-10016), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, Lake Creek Village LLC adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), and all subsequent amendments, in 2020. Our opinion is not modified with respect to this matter.

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 14 – 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 14 – 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 14 – 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 29, 2021 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 29, 2021

Lake Creek Village LLC
HUD Project No. 101-11153 and No. 101-10016
Balance Sheets
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 1,222,034	\$ 1,273,286
Cash and cash equivalents - Restricted	1,512,838	1,560,770
Accounts receivable - Tenants, net	107,807	12,443
Accounts receivable - Others	146,545	210,529
Deposits and prepaid expenses	135,154	110,440
Fixed assets, net	29,859,884	30,527,757
Investments, net	-	175,132
	Total Assets	Total Assets
	\$ 32,984,262	\$ 33,870,357
 LIABILITIES AND MEMBER'S CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,014	\$ 109,802
Accrued interest payable	76,059	77,853
Due to Eagle County	191,535	165,793
Deferred revenue	26,475	9,325
Tenant security deposits	327,782	328,256
Mortgage notes payable, net of unamortized debt issuance costs	31,331,598	32,083,446
	Total Liabilities	Total Liabilities
	31,982,463	32,774,475
MEMBER'S CAPITAL	1,001,799	1,095,882
Total Liabilities and Member's Capital	\$ 32,984,262	\$ 33,870,357

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

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Statements of Operations and Changes in Member's Capital
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Tenant rents	\$ 4,109,275	\$ 4,319,506
Tenant assistance payments	82,585	73,317
Commercial rents	-	30,000
Other income	134,002	133,773
	<u>4,325,862</u>	<u>4,556,596</u>
Total Revenues		
OPERATING EXPENSES		
Repairs and maintenance	677,633	708,634
Utilities	780,044	719,418
General and administration	453,381	412,150
Management fees	158,843	157,391
	<u>2,069,901</u>	<u>1,997,593</u>
Total Operating Expenses		
INCOME (LOSS) from OPERATIONS	2,255,961	2,559,003
OTHER INCOME (EXPENSES)		
Investment earnings	2,219	3,659
Capital grants and contributions	100,000	209,979
Loss on asset disposal	(17,409)	-
Depreciation	(983,997)	(972,800)
Amortization	(11,295)	(11,299)
Interest expense	(939,562)	(946,821)
	<u>(1,850,044)</u>	<u>(1,717,282)</u>
Net Other Income (Expenses)		
NET INCOME (LOSS)	405,917	841,721
Member's Capital - Beginning of the year	1,095,882	1,054,161
Capital distributions	<u>(500,000)</u>	<u>(800,000)</u>
Member's Capital - End of the year	<u>\$ 1,001,799</u>	<u>\$ 1,095,882</u>

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

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Cash received for rents and other services	\$ 4,254,803	4,564,297
Investment income received	2,219	3,659
Net change in tenant security deposits	(474)	18,035
Interest paid	(924,423)	(929,565)
Cash paid for goods and services	(2,081,941)	(1,909,222)
Net Cash Provided (Used) By Operating Activities	<u>1,250,184</u>	<u>1,747,204</u>
Cash Flows From Financing Activities:		
Cash received from long-term debt proceeds	-	593,544
Repayment of long-term debt	(768,781)	(747,597)
Cash paid as capital distributions	(500,000)	(800,000)
Cash received from capital grants and contributions	163,488	175,355
Debt issuance costs paid	(13,450)	-
Net Cash Provided (Used) By Financing Activities	<u>(1,118,743)</u>	<u>(778,698)</u>
Cash Flows From Investing Activities:		
Cash paid to purchase capital assets	(377,053)	(698,342)
Cash received for investments	146,428	-
Net Cash Provided (Used) By Investing Activities	<u>(230,625)</u>	<u>(698,342)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(99,184)	270,164
Cash and Cash Equivalents - Beginning	<u>2,834,056</u>	<u>2,563,892</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,734,872</u>	<u>\$ 2,834,056</u>
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	\$ 1,222,034	\$ 1,273,286
Cash and cash equivalents - Restricted	1,512,838	1,560,770
Total	<u>\$ 2,734,872</u>	<u>\$ 2,834,056</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	<u>\$ 2,255,961</u>	<u>\$ 2,559,003</u>
Adjustments to reconcile:		
Interest income	2,219	3,659
Interest expense, net of amortization of debt issue costs	(922,629)	(929,892)
Prepaid debt issuance costs	13,450	-
(Increase) decrease in accounts receivable - tenant, net	(95,364)	7,600
(Increase) decrease in accounts receivable - others	497	(268)
(Increase) decrease in prepaid expenses	(24,714)	47,800
Increase (decrease) in accounts payable and accrued liabilities	(21,654)	18,989
Increase (decrease) in deferred revenue	17,150	(74)
Increase (decrease) in due to Eagle County and related entities	25,742	22,352
Increase (decrease) in tenant security deposits, net	(474)	18,035
Total Adjustments	<u>(1,005,777)</u>	<u>(811,799)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,250,184</u>	<u>\$ 1,747,204</u>

The accompanying notes are an integral part of these financial statements

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019

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 2020 and 2019 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, 2020 and 2019, the Company held restricted cash balances related to security deposits and funding established by the HUD Commitment of Insurance of Advances (the "Commitment").

D. Tenant Security Deposits

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

E. Allowance for Uncollectible Accounts

The Company uses the allowance method to recognize the potential uncollectibility of receivables, including amounts due from tenants. At December 31, 2020, the Company has recorded an allowance of \$8,351 to provide for amounts which management determined may not be collectible (\$6,658 at December 31, 2019).

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

F. Fixed Assets

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

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

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

G. Debt Issuance Costs

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

H. Revenues and Revenue Recognition

The Company's primary source of revenue is rent charges for residential units under leases with a duration of one year or less. The Company records revenue for such leases at gross potential rent, then reduced by the rental value of vacancies and other concessions to present net rental income on the accrual basis. Tenant assistance payments represent subsidy revenue for qualified low-income tenants, provided under a HAP Contract with HUD, which requires tenants to contribute a portion of the contract rent based on HUD-prescribed formulas, with the difference between the tenant portion and the contract rent paid by HUD. Tenant assistance payments are considered to be part of the underlying lease arrangements and are not a contribution under generally accepted accounting principles. The Company believes that rental and subsidy revenues are exempted from generally accepted accounting principles with respect to contracts with customers, due to their inclusion under current and future lease standards.

The Company also recognizes revenues from laundry and vending, as well as parking, pet, and damage fees; all of which are ancillary to the lease process and are earned as revenue at the point in time such fees are levied.

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.

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

J. Subsequent Events

Management has evaluated subsequent events through March 29, 2021; the date these financial statements were available to be issued.

K. Use of Estimates

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

L. Comparative Information

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

3. Restricted Cash

The Company's restricted cash balance is comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Tenant security deposits	\$ 334,164	\$ 332,902
Replacement Reserve	939,798	804,658
Escrow deposits:		
Insurance escrow	12,914	40,047
Mortgage Insurance Premium escrow	175,159	175,908
Other Reserves:		
Insurance Recovery escrow	50,803	50,803
Working Capital and Construction Contingency escrow	-	156,452
Total - Restricted Cash	<u>\$ 1,512,838</u>	<u>\$ 1,560,770</u>

The Commitment required the Company to establish a Replacement Reserve in the initial amount of \$675,000 and to make monthly deposits of \$11,250 commencing January 2013 to be used to make capital improvements and repairs to the Project. As a condition of securing HUD's commitment to insure certain mortgage indebtedness of the Company in connection with the re-siding project (the "Re-siding Project Commitment") completed in 2018, the Company is only required to make monthly deposits of \$10,463 to the Replacement Reserve, commencing January 2019. All such required contributions had been made at December 31, 2020 and 2019.

The Re-siding Project Commitment also mandated that the Company establish a Working Capital and Construction Contingency escrow of \$156,452 for identified costs as outlined in the Escrow Agreement for Working Capital. During 2020, \$156,452 was released from restriction.

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

4. Fixed Assets

The following are the changes in the Company's fixed assets during the year ended December 31, 2020:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/20</u>
Fixed assets not being depreciated:				
Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
Construction in progress	-	103,598	-	103,598
Total Fixed assets not being depreciated	<u>1,350,100</u>	<u>103,598</u>	<u>-</u>	<u>1,453,698</u>
Fixed assets being depreciated:				
Buildings and improvements	34,292,811	212,526	-	34,505,337
Furniture	2,305	-	-	2,305
Equipment	10,522	-	-	10,522
Total Fixed assets being depreciated	<u>34,305,638</u>	<u>212,526</u>	<u>-</u>	<u>34,518,164</u>
Accumulated depreciation	(5,127,981)	(983,997)	-	(6,111,978)
Total Fixed assets being depreciated, net	<u>29,177,657</u>	<u>(771,471)</u>	<u>-</u>	<u>28,406,186</u>
Total Fixed Assets, Net	<u><u>\$ 30,527,757</u></u>	<u><u>\$ (667,873)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,859,884</u></u>

5. Investments

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

During 2020, the Company sold the investment in the solar array for \$146,428, resulting in a loss on the sale of \$17,409.

	<u>2020</u>	<u>2019</u>
Investment - Solar array	\$ -	\$ 225,977
Less: Accumulated amortization	-	(50,845)
Investment - Solar array, net	<u><u>\$ -</u></u>	<u><u>\$ 175,132</u></u>

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

6. HUD-Insured Mortgage Notes Payable

A Project No. 101-11153

In December 2012 and in connection with the acquisition of the Project, the Company entered into a mortgage note agreement (the “HUD-insured Mortgage”) with Wells Fargo Bank, National Association (“Wells Fargo”) in the principal amount of \$29,360,000. The HUD-insured Mortgage is insured by HUD under section 223(f) of the 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 2020, the Company incurred interest on the HUD-insured Mortgage totaling \$626,387 (2019 – \$642,003). At December 31, 2020, the principal balance of the HUD-insured Mortgage was \$24,764,582 (2019 – \$25,396,406) and accrued interest was \$51,593 (2019 – \$52,909). The HUD-insured Mortgage is reported on the December 31, 2020 balance sheet net of unamortized debt issuance costs of \$278,822 (2019 – \$289,158).

B. Project No. 101-10016

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

During 2020, the Company incurred interest expense of \$296,242 on the Re-siding Project Mortgage (2019 – \$287,889). While the project was ongoing in 2018, the Company capitalized as renovation costs 2018 interest on the Re-siding Project Mortgage totaling \$139,063. At December 31, 2020, the principal balance of the Re-siding Project Mortgage was \$7,023,889 (2019 – \$7,160,843) and accrued interest was \$24,467 (2019 – \$24,944). The Re-siding Project Mortgage is reported on the December 31, 2020 balance sheet net of unamortized debt issuance costs of \$178,051 (2019 – \$184,645).

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

6. HUD-Insured Mortgage Notes Payable (continued)

C. Schedule of Future Payments

Future minimum principal payments in each of the next five years following December 31, 2020 and in five-year increments thereafter are as follows:

	Project No. 101-11153	Project No. 101-10016	Total
2021	\$ 647,802	\$ 142,790	\$ 790,592
2022	664,184	148,874	813,058
2023	680,981	155,217	836,198
2024	698,201	161,831	860,032
2025	715,857	168,727	884,584
2026 - 2030	3,860,162	957,803	4,817,965
2031 - 2035	4,373,568	1,180,011	5,553,579
2036 - 2040	4,955,257	1,453,771	6,409,028
2041 - 2045	5,614,312	1,791,041	7,405,353
2046 - 2048	2,554,258	863,824	3,418,082
Total	<u>\$ 24,764,582</u>	<u>\$ 7,023,889</u>	<u>\$ 31,788,471</u>

7. Related Party Transactions

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

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

During 2020, the Company incurred management fee expense of \$158,843 (2019 – \$157,391) in accordance with the agreement. At December 31, 2020, \$0 was due to ECHDA for such fees (2019 – \$355).

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

7. Related Party Transactions (continued)

B. Eagle County

During 2020 and 2019, Eagle County provided certain services to, and incurred expenses on behalf of the Company, including administrative and maintenance personnel. For 2020 and 2019, the following services were provided by Eagle County:

	<u>2020</u>	<u>2019</u>
Repairs and maintenance:		
Wages - Maintenance	\$ 359,437	\$ 382,555
Repairs	149	1,337
Replacement reserves	3,600	4,400
Utilities:		
Electric	182,454	177,075
Water and sewer	391,075	310,997
Trash removal	22,771	14,185
General and administration:		
Travel and meals	325	748
Office expenses	844	20,113
Other expense	3,215	2,392
Telecommunications	2,270	3,318
Wages - Administration	120,055	97,985
Total	<u>\$ 1,086,195</u>	<u>\$ 1,015,105</u>

At December 31, 2020 the Company had a balance of \$191,535 payable to Eagle County in respect of services provided and other reimbursements (2019 – \$165,793).

8. HAP Contract

Effective August 1, 2016, the Company entered into a HAP Contract with HUD to subsidize rent for one tenant, and subsequently amended in 2017 to subsidize rents for eight tenants. Based on the resources and income of each qualifying tenant, HUD determines the HAP subsidy to be provided to the Company. The HAP Contract has a 15-year term, expiring July 31, 2031. During the year ended December 31, 2020, the Company earned HAP subsidies totaling \$82,585 (2019 – \$73,317).

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. 101-11153 and No. 101-10016
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

10. Recently Adopted Accounting Standards

Effective January 1, 2020, the Company implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), issued by the Financial Accounting Standards Board (“FASB”), and all subsequent amendments. ASU 2014-09 requires enhanced disclosures of the Company’s revenue recognition policies. The implementation of ASU 2014-09 has been applied retrospectively to all periods presented, with no effect to Member’s Capital or previously issued financial statements.

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Balance Sheet - HUD Basis
December 31, 2020

ASSETS

Current assets:

1120	Cash - Operations	\$ 1,222,034
1130	Tenant/member accounts receivable	116,158
1131	Allowance for doubtful accounts	<u>(8,351)</u>
	1130N Net tenant accounts receivable	<u>107,807</u>
1135	Accounts receivable - HUD	53
1140	Accounts and notes receivable - Operations	146,492
1200	Prepaid expenses	<u>135,154</u>
	1100T Total current assets	<u>1,611,540</u>

Deposits held in trust:

1191	Tenant/patient deposits held in trust	334,163
------	---------------------------------------	---------

Restricted deposits and funded reserves:

1310	Escrow deposits	188,074
1320	Replacement Reserve	939,797
1330	Other reserves	<u>50,804</u>
	1300T Total deposits	<u>1,178,675</u>

Fixed assets:

1410	Land	1,350,100
1420	Buildings	34,608,935
1440	Building equipment (portable)	10,522
1460	Furnishings	<u>2,305</u>
	1400T Total fixed assets	<u>35,971,862</u>
1495	Accumulated depreciation	<u>(6,111,978)</u>
	1400N Net fixed assets	<u>29,859,884</u>
	1000T Total Assets	<u><u>\$ 32,984,262</u></u>

LIABILITIES

Current liabilities:

2110	Accounts payable - Operations	\$ 220,549
2131	Accrued interest payable - First mortgage (or bonds)	51,593
2132	Accrued interest payable - Other mortgages	24,466
2210	Prepaid revenue	<u>26,475</u>
	2122T Total current liabilities	<u>323,083</u>

Other liabilities:

2191	Tenant/patient deposits held in trust (contra)	327,782
------	--	---------

Long-term liabilities:

2320	Mortgage (or bonds) payable - First mortgage (bonds)	24,485,760
2322	Other mortgages payable (long term)	<u>6,845,838</u>
	2300T Total long-term liabilities	<u>31,331,598</u>
	2000T Total Liabilities	<u>31,982,463</u>

MEMBERS' CAPITAL

3130	Total Equity	<u>1,001,799</u>
	2033T Total Liabilities and Equity	<u><u>\$ 32,984,262</u></u>

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

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Statement of Profit and Loss - HUD Basis
For the year ended December 31, 2020

REVENUE

Rent revenue:		
5120	Rent revenue - Gross potential	\$ 4,229,569
5121	Tenant assistance payments	82,585
5100T	Total rent revenue	<u>4,312,154</u>
Vacancies:		
5220	Vacancies - Apartments	(120,294)
5200T	Total vacancies	<u>(120,294)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>4,191,860</u>
Financial revenue:		
5410	Financial revenue - Project operations	2,219
5400T	Total financial revenue	<u>2,219</u>
Other revenue:		
5910	Laundry and vending revenue	76,414
5920	Tenant charges	27,461
5990	Miscellaneous revenue	130,127
5900T	Total other revenue	<u>234,002</u>
5000T	Total Revenue	<u>4,428,081</u>

EXPENSES

Administrative expenses:		
6210	Advertising and marketing	3,205
6311	Office expenses	19,400
6320	Management fee	158,843
6330	Manager or superintendent salaries	85,904
6350	Audit expense	12,575
6390	Miscellaneous administrative expenses	5,584
6263T	Total administrative expenses	<u>285,511</u>
Utilities expenses:		
6450	Electricity	182,454
6451	Water	233,761
6452	Gas	134,644
6453	Sewer	157,314
6400T	Total utilities expenses	<u>708,173</u>
Operating and maintenance expenses:		
6515	Supplies	249,517
6520	Contracts	292,074
6525	Garbage and trash removal	71,871
6548	Snow removal	18,300
6590	Miscellaneous operating and maintenance expenses	17,409
6500T	Total operating and maintenance expenses	<u>649,171</u>
Taxes and insurance:		
6711	Payroll taxes - Project's share	23,549
6720	Property and liability insurance - Hazard	111,200
6722	Workmen's Compensation	13,223
6723	Health insurance and other employee benefits	116,408
6700T	Total taxes and insurance	<u>264,380</u>
Financial expenses:		
6820	Interest on first mortgage (or bonds) payable	636,726
6825	Interest on other mortgages	302,836
6850	Mortgage insurance premium/service charge	180,075
6800T	Total financial expenses	<u>1,119,637</u>
6000T	Total Cost of Operations before Depreciation	<u>3,026,872</u>
5060T	Profit (Loss) before Depreciation	<u>1,401,209</u>
6600	Depreciation expense	983,997
6610	Amortization expense	11,295
3250	Net Income (Loss)	<u>\$ 405,917</u>

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

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Statement of Changes in Member's Capital - HUD Basis
For the year ended December 31, 2020

MEMBER'S CAPITAL - BEGINNING OF YEAR:		
S1100-010	Beginning of Year Balance	\$ 1,095,882
3250	Net Income (Loss)	405,917
S1200-420	Distributions	(500,000)
MEMBER'S CAPITAL - END OF YEAR:		
3130	End of Year	<u><u>\$ 1,001,799</u></u>

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

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Statement of Cash Flows - HUD Basis
For the year ended December 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES:

Receipts:		
S1200-010	Rental receipts	\$ 4,112,450
S1200-020	Interest received	2,219
S1200-030	Other operating receipts	297,488
S1200-040	Total receipts	<u>4,412,157</u>
Disbursements:		
S1200-050	Administrative	(86,866)
S1200-070	Management fee	(159,198)
S1200-090	Utilities	(685,724)
S1200-100	Salaries and wages	(85,904)
S1200-110	Operating and maintenance	(618,238)
S1200-140	Property insurance	(122,048)
S1200-150	Miscellaneous taxes and insurance	(153,175)
S1200-160	Tenant security deposits	(1,736)
S1200-180	Interest on first mortgage	(627,703)
S1200-181	Interest on second mortgage	(296,722)
S1200-210	Mortgage interest premium	(179,841)
S1200-230	Total disbursements	<u>(3,017,155)</u>
S1200-240	Net cash provided by (used in) operating activities	<u>1,395,002</u>

CASH FLOW FROM INVESTING ACTIVITIES:

S1200-245	Net deposits to Mortgage Escrow account	27,882
S1200-250	Net deposits to Replacement Reserve account	(135,140)
S1200-255	Net deposits to other reserves	156,452
S1200-330	Net purchase of fixed assets	(377,053)
S1200-340	Other investing activities	163,833
S1200-350	Net cash provided by (used in) investing activities	<u>(164,026)</u>

CASH FLOW FROM FINANCING ACTIVITIES:

S1200-360	Principal payments - First mortgage (or bonds)	(631,827)
S1200-361	Principal payments - Second mortgage	(136,951)
S1200-420	Distributions	(500,000)
S1200-450	Other financing activities	(13,450)
S1200-460	Net cash provided by (used in) financing activities	<u>(1,282,228)</u>
S1200-470	Net increase (decrease) in cash and cash equivalents	(51,252)
S1200-480	Beginning of period cash	<u>1,273,286</u>
S1200T	End of period cash	<u>\$ 1,222,034</u>

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

3250	Net income (loss)	<u>\$ 405,917</u>
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:		
6600	Depreciation expense	983,997
6610	Amortization expense	11,295
S1200-486	Amortization of debt issuance costs	16,930
S1200-490	Decrease (increase) in tenant/member accounts receivable	(95,359)
S1200-500	Decrease (increase) in accounts receivable - Other	63,983
S1200-520	Decrease (increase) in prepaid expenses	(24,714)
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	(1,262)
S1200-540	Increase (decrease) in accounts payable	6,237
S1200-560	Increase (decrease) in accrued liabilities	(355)
S1200-570	Increase (decrease) in accrued interest payable	(1,793)
S1200-580	Increase (decrease) in tenant security deposits held in trust	(474)
S1200-590	Increase (decrease) in prepaid revenue	17,150
S1200-600	Other adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities: Prepaid debt issuance costs	<u>13,450</u>
S1200-610	Net cash provided by (used in) operating activities	<u>\$ 1,395,002</u>

The accompanying notes are an integral part of these financial statements

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Schedule of Reserve for Replacement and
Computation of Surplus Cash, Distributions, and Residual Receipts
For the year ended December 31, 2020

SCHEDULE OF RESERVE FOR REPLACEMENT:

1320P	Balance at beginning of year	\$ 804,658
1320DT	Total monthly deposits	135,000
1320INT	Interest on Replacement Reserve accounts	<u>139</u>
1320	Balance at end of year (confirmed by Mortgagee)	<u><u>\$ 939,797</u></u>

COMPUTATION OF SURPLUS CASH:

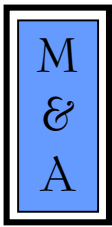
Cash:		
S1300-010	Cash (<i>Accounts 1120, 1170, 1191</i>)	\$ 1,556,197
1135	Accounts receivable - HUD	53
S1300-040	Total cash	<u>1,556,250</u>
Current obligations:		
S1300-050	Accrued mortgage (or bond) interest payable	76,059
S1300-075	Accounts payable (<i>due within 30 days</i>)	220,548
S1300-080	Loans and notes payable (<i>due within 30 days</i>)	63,266
2210	Prepaid revenue	26,475
2191	Tenant/patient deposits held in trust (contra)	327,782
S1300-110	Other current obligations (<i>Describe</i>)	<u>39,370</u>
S1300-140	Total current obligations	<u>753,500</u>
S1300-150	Surplus Cash (Deficiency)	<u><u>\$ 802,750</u></u>
S1300-200	Amount Available for Distribution During Next Fiscal Period	<u><u>\$ 802,750</u></u>

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

Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
Schedule of Changes in Fixed Asset Accounts
For the year ended December 31, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
1410 Land	\$ 1,350,100	\$ -	\$ -	\$ 1,350,100
1420 Buildings	34,292,811	316,124	-	34,608,935
1440 Building equipment (portable)	10,522	-	-	10,522
1460 Furnishings	2,305	-	-	2,305
1400T Total fixed assets	35,655,738	316,124	-	35,971,862
1495 Accumulated depreciation	<u>(5,127,981)</u>	<u>(983,997)</u>	<u>-</u>	<u>(6,111,978)</u>
1400N Total - net book value	<u>\$ 30,527,757</u>	<u>\$ (667,873)</u>	<u>\$ -</u>	<u>\$ 29,859,884</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. 101-11153 and No. 101-10016), a Colorado limited liability company, which comprise the balance sheets as of December 31, 2020 and 2019, 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 29, 2021.

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

PAUL J. BACKES, CPA, CGMA
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INDEPENDENT AUDITOR'S REPORT
To the Member
Lake Creek Village LLC
Eagle County, Colorado

Compliance and Other Matters

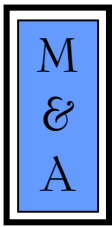
As part of obtaining reasonable assurance about whether Lake Creek Village LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
March 29, 2021



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

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

Report on Compliance for Each Major HUD Program

We have audited the compliance of Lake Creek Village LLC (HUD Project No. 101-11153 and No. 101-10016), a Colorado limited liability company, with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on each of Lake Creek Village LLC's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2020. Direct and material compliance requirements associated with Lake Creek Village LLC's major HUD program (HUD-Insured Loan program) include federal financial reports, fair housing and nondiscrimination; mortgage status; replacement reserves; distributions to owners; equity skimming; cash receipts; cash disbursements; tenant security deposits; management functions; unauthorized change of ownership/ acquisition of liabilities; and unauthorized loans of project funds.

Management's Responsibility

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

Auditor's Responsibility

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

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

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Member
Lake Creek Village LLC
Eagle County, Colorado

Opinion on Each Major HUD Program

In our opinion, Lake Creek Village LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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



McMahan and Associates, L.L.C.
March 29, 2021

**Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020**

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, 2020.

**Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
AUDITOR'S COMMENTS ON AUDIT RESOLUTION OF MATTERS RELATING TO HUD PROGRAMS
December 31, 2020**

There were no findings or questioned costs noted for the year ended December 31, 2019.

**Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
CERTIFICATION OF OFFICERS
December 31, 2020**

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

<u>Kimberly Bell Williams</u> Signature	<u>March 29, 2021</u> Date
Name of Signatory:	<u>Kim Williams</u>
Title of Certifying Official:	<u>Executive Director- Eagle County Housing and Development Authority</u>
Auditee Telephone Number:	<u>(970) 328-8773</u>

**Lake Creek Village LLC
(A Colorado Limited Liability Company)
HUD Project No. 101-11153 and No. 101-10016
MANAGING AGENT'S CERTIFICATION
December 31, 2020**

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:

Kimberly Bell Williams
Signature

March 29, 2021
Date

Name of Signatory: _____

Kim Williams

Title of Certifying Official: _____

Executive Director – Eagle County Housing
and Development Authority

Auditee Telephone Number: _____

(970) 328-8773