LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT

Financial Statements as of December 31, 2013
and for the Year Then Ended
and Independent Auditors' Report
and Required Supplementary Information

LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT

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Gurtner · Zuniga · Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors of
Lakeshore Villages Master Community Development District
Slidell, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Lakeshore Villages Master Community Development District (the District), as of and for the year ended December 31, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' 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 audits 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 auditors' 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's control. Accordingly, we express no such opinion. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 32 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As discussed in Note I to the financial statements, the District was in violation of a financial covenant related to its bond indebtedness as of December 31, 2010. The financial statements have been prepared based on management's belief that a waiver of this covenant violation will be granted as a result of ongoing negotiations with the bond issuer and the subsequent compliance with such covenant during 2014, however, a definitive agreement concerning such waiver had not been obtained as of June 13, 2014. If management is unsuccessful in obtaining a waiver, the bond trustee could declare the bonds in default and demand immediate payment or pursue other remedies.

Emphasis of Matter – Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note I, Note L, and Note N, the District is dependent on the Developer, Tammany Holding, LLC, and its ability to sell lots. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014 on our consideration of the District's internal control over financial reporting and on 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 the District's internal control over financial reporting and compliance.

Gurtner Zuniga Abney, LLC

June 13, 2014
New Orleans, Louisiana

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Management's Discussion and Analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board Codification No. 2200. Its purpose is to provide an overview of the financial activities of Lakeshore Villages Master Community Development District's (the District) office based on currently known facts and decisions of conditions. Please read it in conjunction with the District's financial statements, which begin on page 8.

The basic financial statements include government-wide and governmental fund statements. The government-wide Statement of Net Position and Statement of Activities and Changes in Net Position present information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. Primarily the difference between these statements and governmental fund statements is that assets are capitalized and depreciated over their estimated useful life versus expensed in the governmental fund statements and debt, along with its associated interest payable, is presented versus only the current payable in the governmental fund statement. The Balance Sheets - Governmental Funds detail the assets and liabilities of the governmental funds while the Reconciliation of Balance Sheets – Governmental Funds to Statement of Net Position reflects the differences from the amounts reported in the Statement of Net Assets. The Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds reflect the current year receipt and disbursement of funds and the Reconciliation of Balance Sheets – Governmental Funds to Statement of Net Position and Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to Statement of Activities and Changes in Net Position report the differences in the change in fund balance to the change in net position of the government-wide activities. The differences between the adopted budget and the actual activities are reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects Fund - Budget to Actual.

The District is a subdivision of the State of Louisiana within the Parish of St. Tammany. The accompanying financial statements only present information in the funds maintained by the District.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities and Changes in Net Position report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's finances, "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the District's net position and the changes in it. The net position, the difference between the assets and the liabilities, is one way to measure the District's financial health and, over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year include the following:

- Total net position is comprised of the following:
  1) Invested in capital assets of $(19,060,705) including infrastructure assets purchased, net of accumulated depreciation and net of related debt.
  2) Restricted for debt service of $1,387,893.
  3) Unassigned of $(80,273).
- Net spending for all governmental activities was $4,853,100 which resulted in net assets of $(17,753,085).
- The governmental funds reported total ending fund balance of $1,307,620 of which $(80,273) was considered unassigned and $1,387,893 was reserved for debt service.
- There were revenues of $207 reported for governmental funds and there was $221,435 reported for expenditures, including $171,034 in debt service expenditures. This resulted in an excess of expenditures over revenues of $221,228.

FINANCIAL ANALYSIS AS A WHOLE

To begin our analysis, a condensed summary of the Statement of Net Position is presented in the following table:

Condensed Statement of Net Position	2012	2013	Increase (Decrease)	%
Current and other assets	$ 1,579,987	$ 1,425,027	$ (154,960)	-10%
Non-current assets	64,232,406	64,232,406	-	0%
Capital assets, net	68,048,371	67,330,413	(717,958)	-1%
Total Assets	**133,860,764**	**132,987,846**	**(872,918)**	**-1%**
Deferred Outflows	**350,000**	**280,000**	**(70,000)**	**-20%**
Current liabilities	82,878,343	86,788,525	3,910,182	5%
Total Liabilities	**82,878,343**	**86,788,525**	**3,910,182**	**5%**
Deferred Inflows	**64,232,406**	**64,232,406**	**-**	0%
Invested in capital assets	(14,428,833)	(19,060,705)	(4,631,872)	32%
Restricted for debt service	1,558,720	1,387,893	(170,827)	-11%
Restricted for capital projects	(29,872)	(80,273)	(50,401)	169%
Total Net Position	**$(12,899,985)**	**$(17,753,085)**	**$(4,853,100)**	**38%**

The District provides infrastructure and accounts for the related debt. The decrease in current and other assets was primarily from using cash and cash equivalents to pay expenses during the year. The decrease in capital assets, net, was from the recording of depreciation expense for the year. The increase in current liabilities was primarily from the unpaid bond interest expense which was unpaid during the year.

Sources of revenue include earnings on investments, assessments on property currently held, and proceeds from property when sold. The following condensed Statement of Activities shows the major sources of revenue and expenses:

Condensed Statement of Activities and Changes in Net Position	**2012**	**2013**	**Increase (Decrease)**	**%**
General revenues	$ 10,040	$ 207	$ (9,833)	-98%
	10,040	**207**	**(9,833)**	**-98%**
Program expense				
Current	(3,883,333)	(4,065,349)	(182,016)	5%
Depreciation and amortization	(787,958)	(787,958)	-	0%
	(4,671,291)	**(4,853,307)**	**(182,016)**	**4%**
Changes in Net Position	**(4,661,251)**	**(4,853,100)**	**(191,849)**	**4%**
Net position beginning of year	(8,238,734)	(12,899,985)	(4,661,251)	57%
Total Net Position	**$ (12,899,985)**	**$(17,753,085)**	**$ (4,853,100)**	**38%**

FUND FINANCIAL STATEMENTS

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending.

The governmental funds reported combined ending fund balances of $1,307,620 of which the majority, $1,387,893, is reserved for debt service.

Capital Projects Fund – The proceeds of the Series 2007 bond issue were deposited into this fund reduced by underwriter fees, original issue discount costs, and bond issuance costs in order to purchase infrastructure assets in the subsequent year. After the purchase, the remaining balances were transferred to the debt service fund and restricted to pay off the bonds.

Debt Service Fund – This fund accounts for restricted cash and investments required by the indenture to pay off the Series 2007 Bonds. The entire special assessment levied to fund the bonds is recorded and will be reduced as the payments are made.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the fiscal year ended December 31, 2013, there were significant unfavorable variances in the budget related to fuel charges and overall total expenditures.

CAPITAL ASSETS

The value of infrastructure assets purchased during the year 2007 was $72,122,000 based on the Infrastructure Valuation Report. Proceeds of $63,146,442 from the Series 2007 Bonds and a contribution of the balance from the Developer funded the purchase. There was no additional infrastructure purchased during this fiscal year or prior fiscal year. $717,958 of depreciation expense was recorded during the each of the years ended December 31, 2013 and 2012. More detailed information about the capital assets is presented in Note H to the basic financial statements.

LONG-TERM DEBT

The District issued $73,217,418 of Series 2007 Special Assessment Bonds to fund the purchase of infrastructure assets in 2007. The balance of outstanding bonds at the beginning of the year was $73,217,418. Principal payments of $0 and interest payments of $0 were made during this fiscal year and prior fiscal year. Required interest payments during this fiscal year of $1,921,957, on January 1, and $1,921,957, on July 1, were not made. Total outstanding interest payable on December 31, 2013 was $13,453,700. The December 31, 2013 balance of $73,217,418 was outstanding on the bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board anticipated that the world-wide financial crisis may result in a slowdown in the sale of property in the District's lands by the Developer - Tammany Holding Company, LLC, formally Tammany Holding Corporation. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has a limited source of funds. A failure to make payments when due could result in the rapid, total depletion of the Series 2007 Debt Service Reserve Account prior to replenishment from the resale of property upon a foreclosure or otherwise. In that event, there could be a default in payments of the principal of, and interest on, the Series 2007 Bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Lakeshore Villages Master Community Development District's finances and to show accountability for the money it received. If you have any questions or need additional financial information, contact:

Mr. Robert Torres, Jr., Chairman
1301 East End Boulevard
Lakeshore, LA 70461
985-641-0089

BASIC FINANCIAL STATEMENTS

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2013

ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	$	345
Restricted assets - investments		1,424,682
Total current assets		1,425,027
ASSESSMENTS RECEIVABLE		64,232,406
CAPITAL ASSETS, net of accumulated depreciation		67,330,413
TOTAL ASSETS		132,987,846
DEFERRED OUTFLOWS		
Original issue discount, net		280,000
TOTAL DEFERRED OUTFLOWS		280,000
LIABILITIES		
CURRENT LIABILITIES		
Due to Tammany Holdings		117,407
Interest payable on bonds		13,453,700
Bonds payable		73,217,418
TOTAL LIABILITIES		86,788,525
DEFERRED INFLOWS		
Deferred revenue		64,232,406
TOTAL DEFERRED INFLOWS		64,232,406
NET POSITION		
Invested in capital assets, net of related debt		(19,060,705)
Unassigned		(80,273)
Restricted - debt service		1,387,893
TOTAL NET POSITION	**$**	**(17,753,085)**

See independent auditors' report and accompanying notes to financial statements.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	Expenses	PROGRAM REVENUES Operating Grants and Contributions	Net (Expenses) Revenues
EXPENSES			
Bond interest	$ 3,843,914	$ -	$ (3,843,914)
Office operations	221,435	-	(221,435)
Amortization of bond discount	70,000	-	(70,000)
Depreciation	717,958	-	(717,958)
	$ 4,853,307	$ -	(4,853,307)
GENERAL REVENUES			
Other income			207
Total general revenues			207
CHANGE IN NET POSITION			**(4,853,100)**
NET POSITION - Beginning of year			(12,899,985)
NET POSITION - End of year			**$ (17,753,085)**

See independent auditors' report and accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Capital Projects Fund	Debt Service Fund	Total
ASSETS			
Restricted cash and cash equivalents	$ 345	$ -	$ 345
Restricted assets - investments	-	1,424,682	1,424,682
Total assets	**$ 345**	**$ 1,424,682**	**$ 1,425,027**
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Due to Tammany Holding	80,618	36,789	117,407
Total liabilities	80,618	36,789	117,407
FUND BALANCE			
Unassigned	(80,273)	-	(80,273)
Restricted - debt service	-	1,387,893	1,387,893
Total fund balance	(80,273)	1,387,893	1,307,620
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	**$ 345**	**$ 1,424,682**	**$ 1,425,027**

See independent auditors' report and accompanying notes to financial statements.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF
BALANCE SHEETS - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
DECEMBER 31, 2013

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 1,307,620
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Governmental capital assets	$ 72,122,000	
Less: accumulated depreciation	(4,791,587)	67,330,413
Unamortized original issue discount costs which are recorded as current expenditures in governmental activities.		280,000
Assessments receivable are not receivable in the current period and therefore, are not reported in the funds.		64,232,406
Deferred revenue is not due and payable in the current period, therefore, is not reported in the funds.		(64,232,406)
Interest payable is recorded as expenditure in governmental activities.		(13,453,700)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(73,217,418)
NET POSITION OF GOVERNMENTAL ACTIVITIES		**$ (17,753,085)**

See independent auditors' report and accompanying notes to financial statements.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Capital Projects Fund	Debt Service Fund	Total
REVENUES			
Other income	$ -	$ 207	$ 207
Total revenues	-	207	207
EXPENDITURES			
General government			
District auditor	13,573	-	13,573
Legal fees	-	15,531	15,531
Utilities	4,265	-	4,265
Fuel charges	24,863	-	24,863
Bank charges	120	-	120
Insurance	7,580	-	7,580
Trustee fee	-	155,503	155,503
Total general government	50,401	171,034	221,435
Total expenditures	50,401	171,034	221,435
CHANGE IN FUND BALANCE	**(50,401)**	**(170,827)**	**(221,228)**
FUND BALANCE - Beginning of year	(29,872)	1,558,720	1,528,848
FUND BALANCE - End of year	$ **(80,273)**	$ **1,387,893**	$ **1,307,620**

See independent auditors' report and accompanying notes to financial statements.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ (221,228)
Amounts reported for governmental activities in the statement of activities and changes in net position are different because:		
Governmental funds do not report depreciation expense as an expenditure.		(717,958)
Long term debt provides current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long term debt in the statement of net position:		
(Increase) decrease in interest payable	$ (3,843,914)	
Amortization of bond discount	(70,000)	(3,913,914)
NET CHANGE IN NET POSITION		**$ (4,853,100)**

See independent auditors' report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Lakeshore Villages Master Community Development District (the District) was established on January 19, 2007 by Ordinance Parish Council Series No. 07-1497 adopted by the Parish Council of the Parish of St. Tammany (the Parish), State of Louisiana on January 4, 2007, as corrected by resolution of the Parish Council adopted on January 24, 2007. A Notice of Establishment of the District was duly recorded in the mortgage records of the Parish on February 7, 2007, which was within 30 days after the effective date of the District Ordinance.

The general purpose of the District is to finance and manage, through the levy and collection of special assessments, basic community development services, including and without limitation, water management and control; water supply, sewer and wastewater management reclamation and reuse; bridges or culverts; roads and street lights; and, with the consent of the Parish, parks and facilities for indoor and outdoor recreational, cultural and educational uses; fire prevention and control; school buildings and related structures; security; pest control and other public health nuisances; waste collection and disposal; and certain revenue producing utilities.

Neither the Board of Supervisors nor any person executing the Series 2007 Bonds issued by the District shall be personally liable for the Series 2007 Bonds or be subject to any personal liability by reason of the issuance thereof. Furthermore, no earnings or assets of the District shall accrue to the benefit of any private persons. However, the limitation of liability shall not apply to any gross negligence or criminal negligence on the part of any supervisor or person executing the Series 2007 Bonds.

The Reporting Entity – The District is a special district governed by a Board of Supervisors consisting of five members. The initial Supervisors, which held office for an initial term of four years and until a successor is chosen and qualifies, are those designated in the petition filed with the Parish Council for the establishment of the District, as required by the Act. Commencing six years after the initial appointment of Supervisors, the position of each supervisor whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the District in accordance with the election laws of the state. The District Manager, a supervisor or a District employee may be a stockholder, officer or employee of a landowner within the District.

The accompanying general purpose financial statements comply with the provisions of Government Auditing Standards Board Statement (GASB) Codifications 2100 *Defining the Financial Reporting Entity*, 2300 *Notes to Financial Statements*, and 2600 *Reporting Entity and Component Unit Presentation and Disclosure* in that the financial statements include all organizations, activities, and functions that compromise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and whether (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden, on the District. Using these criteria, the District has no component units.

Basic Financial Statements – Government-Wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There were no activities of the District categorized as business-type activities.

The statement of activities and changes in net position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Fund Financial Statements – The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are ordered into three major categories: governmental, proprietary, and fiduciary. Funds within each major category are grouped by fund type in the financial statements. Governmental fund types are those through which general governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds.

Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Restricted Cash and Cash Equivalents – The District's restricted cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as restricted assets - investments.

Restricted Assets – Investments – Investment securities can include any of the following securities, if to the extent the same are, at the time, legal investments for funds of the issuer pursuant to the laws of the state:

- Government obligations;
- Bonds, debentures, notes or other evidences of indebtedness issued by specific agencies or such other government sponsored agencies which may presently exist or be hereafter created; provided that such are fully guaranteed as to both principal and interest by the USA;
- Direct and general obligations of any state of the US, the payment of the principal of and interest on which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in either of the two highest rating categories by S&P and Moody's;
- Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation;
- Bank or broker repurchase agreements fully secured by securities specified above;
- A promissory note of a bank holding company rated "AA" or better by S&P and Moody's;
- Investments agreements with a bank, mono-line insurance company or other financial institution rated in the highest rating categories;
- Any short term government fund whose assets consist of the above; and/or
- Commercial paper which, at the time of purchase, is rated in the highest rating category by S&P and Moody's.

The Trustee shall invest in investment securities with a maturity not greater than three years; except that any investment agreement relating to any monies in the Debt Service Reserve Fund may have a maturity not greater than ten years. All deposits in time accounts shall be subject to withdrawal without penalty.

All securities securing investments shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee, as authorized by law with respect to trust funds in the state, or with a bank of trust company having a combined net capital and surplus of not less than $50,000,000.

Capital Assets – Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Category	Life
Roads, streets and drainage	40 years
Utility plants and pumps	25 years
Landscaping and design	30 years

In the fund financial statements, capital assets purchased in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Fund Balance – The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

On January 1, 2011, the District adopted GASB Codifications 1300 *Fund Accounting* and 1800 *Classification and Terminology* which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spend. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

- *Committed* –This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.

- *Assigned* – This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

- *Unassigned* – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

The District has no nonspendable, committed, assigned or unassigned fund balances as of December 31, 2013.

The capital projects fund accumulated a fund balance deficit during the year ended December 31, 2013 as there are no assessments being received to cover the expenses necessary. Management will continue to monitor expenses closely until assessments are being received and will continue to attempt to sell the property in order to receive the assessments. In the interim, Tammany Holding Company, LLC, the developer, has agreed to continue to cover the necessary expenses of the District.

Net Position – On January 1, 2012, the District adopted GASB Codifications which provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. The codifications require that deferred outflows of resources should be reported in a statement of net position in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - invested in capital assets, net of related debt consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets; restricted distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets; and unrestricted consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt or the restricted component of net position.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Assessment Methodology – The District initially used Krebs, LaSalle LeMieux Consulting, Inc. (the Consultant) to determine and establish the special assessment that will be levied against all assessable property in the District. The Consultant determines that the assessments will be an amount sufficient to pay all interest that is expected to become due on the District's outstanding bonds (the Bonds), to fund any sinking fund requirements on the bonds, to fund any reserve required by the Bond indenture, and to pay all expenses relating to the Bonds. The benefited assessment cost allocation is derived by calculating the equivalent residential lost usage of infrastructure improvements for all properties eligible for assessment and applying a factor weighted to each lot's appraised value in an amount sufficient to cover the cost of financing the infrastructure acquisitions and improvements.

The assets to be acquired are, by their nature, part of the systems of infrastructure which benefit all of the parcels throughout the District. However, the infrastructure subject to the special assessment benefits the lots that are impacted now by the roadway system, levees, canals and pumps are benefited to a greater degree than the other lots. The lots in POD 1, 6 and 7 have also been approved by the Parish for subdivision for development and sale or construction. Therefore, the beneficial assessment is based upon one assessment for the lots in POD 1 through 10, and Parcel 1 of $3.50 per square foot and the lots Parcel 1 (Lake Parcel) at about $0.04 per square foot.

The term "Special Assessment" means (a) the net proceeds derived from the levy and collection of "special assessments", as provided for in LA. R.S. 33:9039.29 (A) of the Act (except for any such special assessments levied and collected for maintenance purposes), against the lands located within the District that are subject to assessments regarding the Phase I Project or any portion thereof, and (b) the net proceeds derived from the levy and collection of "benefit special assessments", including the interest and penalties on such assessments, pursuant to all applicable provisions of the Act (and any successor statutes thereto), including, without limitation, any amount received from any foreclosure proceeding for the enforcement of collection of such assessments or from the issuance and sale of tax deeds with respect to such assessments. "Special Assessments" shall not include "maintenance special assessments," if any, levied and collected by the Issuer under the Act.

Special Bond Provisions – The Series 2007 bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of any lien upon the pledged revenues pursuant to the indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the bonds, except that the District is obligated under the indenture and the act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the bonds.

The bonds do not constitute an indebtedness of the District, the Parish, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation. The Series 2007 Bonds authorized under the indenture and the obligation evidenced thereby shall not constitute a lien upon any property of the District, including, without limitation, the project or any portion thereof in respect of which such bonds are being used, or any part thereof, but shall constitute a lien only on the pledged revenues as set forth in the indenture. Nothing in the bonds authorized under the indenture shall be construed as obligating the District to pay the bonds or the redemption price thereof or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish, or the State of Louisiana or any political subdivision thereof, or as obligating the District, the Parish, the State of Louisiana or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation whatever therefore.

Bond Issuance Costs – Historically, costs related to issuing bonds are capitalized and amortized based upon the methods used to approximate the interest method over the term of the bonds.

The District adopted GASB Codifications, effective for periods beginning after December 15, 2012, in the current year on a retroaction basis which requires debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as an expense in the period incurred. Prepaid insurance costs are to be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. See adoption of new accounting standard below.

Adoption of New Financial Accounting Standards – The following Accounting Standards Update (ASU) recently issued and adopted by the Governmental Accounting Standards Board (GASB) impacted the District's financial statements:

In March 2012, the GASB issued Codifications which clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Additionally, the GASB evaluated debt issue costs and concluded that, with the exception of prepaid insurance, the costs relate to services provided in the current period and thus they should be expensed in the current period. This is a significant change from current practice which is to record these as assets and amortize them over the life of the related debt issue. The provisions of this statement are effective for the earliest period presented. The financial statements have been adjusted to reflect the application as of January 1, 2013. As such, the impact of the cumulative effect of change in accounting position on the net position as of January 1, 2013, is a decrease of $619,643 to reflect previously capitalized bond issuance costs and underwriter's fees as expenses, net of the derecognition of amortization expense associated with these assets.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget – In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings. The District then legally adopts the budget.

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

At December 31, 2013, the District had restricted cash and cash equivalents (book balances) totaling $345, which were demand deposits at a local financial institution. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. These deposits were secured from risk by $250,000 of federal deposit insurance as of December 31, 2013.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as restricted assets - investments.

For presentation in the financial statements, investments in the money market accounts are considered to be cash equivalents.

NOTE D – INVESTMENTS

UMB Bank is appointed as trustee and paying agent for the bonds. All of the District's investments, $1,424,682, are invested in a Fidelity Treasury Fund.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 provides for investments insured or registered, or securities held by the District or its agents in the District's name. Category 2 provides for uninsured and unregistered securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered securities held by the counterparty or by its trust department or agent but not in the District's name. The District's investments are considered Category 2 level of risk.

NOTE E – SPECIAL ASSESSMENTS

Pursuant to the Assessment Ordinance, the levy of the assessment will operate as a lien and privilege against all of the real estate assessed by the Assessment Ordinance, prime all other claims except taxes, and continue in full force and effect without the necessity of re-inscription so long as there are any outstanding unpaid amounts of principal and interest. Pursuant to the Assessment Ordinance, the Phase I Special Assessment is levied on the total of the District lands benefiting from the Phase I Property in an amount based on the square footage of such total for each of the years 2007 through 2016, inclusive, or until there is no long outstanding unpaid amounts of principal and interest. Some of the District lands, such as common areas and streets, are not subject to the Special Benefit Assessment. When a lot is sold, Tammany Holding Company, LLC, the developer, is obligated to pay the allocation of the Special Benefit Assessment on that lot less the Debt Service Reserve Fund Credit and the District is obligated to execute a partial release of that lot from the Special Benefit Assessment.

Upon receipt, the Trustee will (i) immediately deposit such amount in the Series 2007 Bond Redemption Fund and (ii) upon direction by the District, transfer an amount equal to the Debt Service Reserve Fund Credit from the Series 2007 Debt Service Reserve Account to the Series 2007 Bond Redemption Fund to be used. Upon payment to the Trustee of the amount of the Phase I Special Assessment allocable to the parcel, the parcel will be released from the lien of the Phase I Special Assessment.

The Board is required to annually determine, order, and levy the annual installment of the Phase I Special Assessment for the Series 2007 Bonds and related expenses. The amount of the Special Assessment for the exercise of the District's powers is required to be based upon a report of the District's engineer and assessed by the Board upon the District lands. The amount of the Phase I Special Assessment is based on the Infrastructure Valuation Report performed by the Consultant.

All Special Assessments in general shall be due and collected during each year that parish taxes are due and are scheduled to be collected and enforced by the Tax Collector. In St. Tammany Parish, the Sheriff is the Ex-officio Tax Collector. The annual installment and levy is to be evidenced to and certified to by the Tax Assessor no later than August 31 of each year, and the Special Assessment is to be entered by the

Tax Assessor on the Parish tax rolls, and is scheduled to be collected and enforced by the Tax Collector in the same manner and at the same time as parish taxes, and the proceeds thereof shall be paid to the District. The tax rolls are open for public inspection for a fifteen day period each year (generally in August and September). The exact dates are published annually in all newspapers in the Parish.

The Louisiana Tax Commissioner certifies the tax rolls by November 15 of each year, and the Tax Collector mails tax notices shortly thereafter. The taxes are due and payable by December 31 of each year and become delinquent thereafter unless a time extension is granted by the Tax Collector. The Special Assessments constitute a lien on the property against which it is assessed until paid, and are enforceable in like manner as parish taxes.

NOTE F – ASSESSMENTS RECEIVABLE

The following table sets forth the total Phase I Special Assessment:

Area	Total Area Square Feet	Acres	Estimated Number of Parcels/ Apartments	Assessment per Square Foot	Allocable Principal	Total Average: Assessment per Parcel Single Family	Total Average: Assessment per Parcel Multifamily
Parcel	3,770,289	85.55	18	$ 3.50	$ 13,204,009	N/A	$ 733,556
Lake Parcel	12,816,615	294.50	22	$ 0.04	$ 448,582	N/A	$ 20,390
POD 1	3,607,565	82.82	534	$ 3.50	$ 12,635,134	$ 23,661	N/A
POD 2	1,210,804	27.80	360	$ 3.50	$ 4,240,719	$ 11,780	N/A
POD 3	1,597,500	36.67	190	$ 3.50	$ 5,595,085	$ 29,448	N/A
POD 4	1,118,671	25.68	329	$ 3.50	$ 3,918,033	$ 11,909	N/A
POD 5	322,692	7.41	104	$ 3.50	$ 1,130,195	$ 10,867	N/A
POD 6	1,795,361	41.22	348	$ 3.50	$ 6,288,073	$ 18,069	N/A
POD 7	2,841,344	65.23	378	$ 3.50	$ 9,951,525	$ 26,327	N/A
POD 8	575,729	13.22	129	$ 3.50	$ 2,016,433	$ 15,631	N/A
POD 9	2,578,145	59.19	308	$ 3.50	$ 9,029,694	$ 29,317	N/A
POD 10	1,487,176	34.14	17	$ 3.50	$ 5,208,686	N/A	$ 306,393

Pursuant to the Assessment Ordinance, the Phase I Special Assessment is due and collectible immediately, and if not paid within 30 days from the adoption of the Assessment Ordinance, it will be presumed that any property owner whose property is affected thereby exercises the right and option to pay the amount due as follows:

Year	Amount Due
2007 through 2016, inclusive	One full year's interest, at the rate not to exceed 5.25% per annum, on the amount of the unpaid Phase I Special Assessment
2013	1/4 of the unpaid Phase I Special Assessment
2014	1/3 of the unpaid Phase I Special Assessment
2015	1/2 of the unpaid Phase I Special Assessment
2016	Balance of the unpaid Phase I Special Assessment

The assessment levied for the 2007 bonds was $67,500,000. This represents the bond par value of $75,000,000 less the amount originally reserved in the debt service reserve of $7,500,000. The assessments levied have been accounted for in assessments receivable and deferred revenue on the statement of net position. At the time the assessment is prepaid, the amount in the corresponding accounts will be reduced by the prepayment.

The amount in assessments receivable at the end of the year is as follows:

Balance of assessments receivable, 1/1/2013	$ 64,232,406
Paid in 2013 (on sold parcels)**	-
Balance of assessments receivable, 12/31/2013	**$ 64,232,406**

** no parcels were sold in 2013

NOTE G – AMORTIZATION OF BOND DISCOUNT

Bond issuance costs, underwriting fees and discounts are amortized over the life of the bonds using the straight line method. The changes in these costs were as follows:

	Balance January 1, 2013	Amortization	Balance December 31, 2013
Original issue discount	$ 350,000	$ 70,000	**$ 280,000**

NOTE H – CAPITAL ASSETS

Proceeds of the Series 2007 Bonds were used by the District to acquire the Phase I Property, which consists of and includes the Phase I Improvements and certain pre-dial servitudes and rights of way relating to the Phase I Improvements. The Phase I Improvements were conveyed, pursuant to the Pre-dial Servitude and Act of Conveyance of Capital Infrastructure Improvements dated May 19, 2007 by and between the District and the Developer. The Developer warrants in the Conveyance Document that it is the lawful owner of the Phase I Improvements and servitudes conveyed and granted therein and that said, Phase I Improvements and servitudes are free from all liens and encumbrances.

The Developer will retain ownership of the land on which the Phase I Improvements are located, although such land will be subject to the pre-dial servitudes and rights of way. The Conveyance Document provides that the Developer will maintain and repair the Phase I Improvements, at its sole expense, for a period of one calendar year from the date of the Conveyance Document.

Based on the Infrastructure Valuation Report dated January 24, 2007 prepared by the Consultant, the following table sets forth the Phase I Improvements purchased by the District as designed, constructed and installed and their estimated value in each instance. The conveyance of the Phase I Property from the Developer to the District occurred on the date of the delivery of the Bonds - May 9, 2007.

Non-depreciable assets (cost):	January 1, 2013	Additions	Deletions	December 31, 2013
Levees	$ 36,000,000	$ -	$ -	$ 36,000,000
Levee canals	7,000,000	-	-	7,000,000
Interior canals	3,900,000	-	-	3,900,000
Retention pond	612,000	-	-	612,000
	47,512,000	-	-	47,512,000
Depreciable assets (cost):				
Roads, streets and drainage:				
Lakeshore Boulevard East	7,133,000	-	-	7,133,000
South End access road	7,352,000	-	-	7,352,000
Entrance bridge	600,000	-	-	600,000
Utility plants and pumps:				
Pump station	3,500,000	-	-	3,500,000
Landscaping and design:				
General costs	6,025,000	-	-	6,025,000
Total cost of depreciable assets	24,610,000	-	-	24,610,000
Total cost of assets	72,122,000	-	-	72,122,000

Accumulated depreciation				
Roads, streets and drainage:				
Lakeshore Boulevard East	1,010,508	178,325	-	1,188,833
South End access road	1,041,533	183,800	-	1,225,333
Entrance bridge	85,000	15,000	-	100,000
Utility plants and pumps:				
Pump station	793,333	140,000	-	933,333
Landscaping and design:				
General costs	1,143,255	200,833	-	1,344,088
Total accumulated depreciation	4,073,629	717,958	-	4,791,587
Net depreciable assets	20,536,371	(717,958)	-	19,818,413
Net capital assets	**$ 68,048,371**			**$67,330,413**

Depreciation expense of $717,958 was recorded in the governmental activities.

NOTE I – LONG-TERM DEBT

The District issued and sold $75,000,000 Special Assessment Bonds, Series 2007, due July 1, 2017. The bonds are issued by the District pursuant to (i) the Constitution of the State of Louisiana of 1974, (ii) the Community Development District Act of the State of Louisiana being LSA R.S. 33:9039.11 through 9039.37, (iii) the Master Trust Indenture and its amendments dated May 1, 2007 and each by and between the District and the Trustee.

Changes in long-term debt during the year consisted of:

	January 1, 2013	Deletions	December 31, 2013
2007 Bond Issue	$ 73,217,418	-	**$ 73,217,418**

The Series 2007 Bonds are subject to extraordinary mandatory redemption prior to maturity by the District in whole, on any date, or in part, on any January 1, April 1, July 1, or October 1, at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Series 2007 Bonds to be redeemed, plus interest accrued to the redemption date from Series 2007 Prepayment Principal deposited into the Series 2007 Bond Redemption Fund following the payment in whole or in part of Special Assessments on any portion of the District lands specially benefited by the Phase I Project.

In the case of any partial redemption of Series 2007 Bonds as described above, such redemption shall be effectuated by redeeming the Series 2007 Bonds' prorated amount of the aggregate principal amount of Series 2007 Bonds to be redeemed multiplied times a fraction the numerator of which is the principal amount of the Series 2007 Bonds of such maturity outstanding immediately prior to the redemption date and the denominator of which is the aggregate principal amount of all Series 2007 Bonds outstanding immediately prior to the redemption date.

The Series 2007 Bonds issued mature (subject to prior redemption) on July 1, 2017 and will bear interest at the rate of 5.250% per annum (using a year of 360 days composed of twelve 30-day months) payable on January 1 and July 1 of each year, commencing July 1, 2007.

Future requirements are as follows:

Calendar Year	Principal	Interest	Total
2014	$ 18,304,355	$ 3,843,914	$ 22,148,269
2015	18,304,355	2,882,936	21,187,291
2016	18,304,355	1,921,957	20,226,312
2017	18,304,353	960,979	19,265,332
	$ 73,217,418	**$ 9,609,786**	**$ 82,827,204**

In connection with the 2007 Special Assessment Bonds, the District is required to make payments of principal and interest according to the Debt Service Requirements schedule in the bond prospectus. The District was not in compliance with this requirement as of December 31, 2010. As a result, the District has attempted to enter into negotiations with the bond issuers to waive the requirement as of December 31, 2013 and modify the debt service requirements applicable to future years. As of June 13, 2014, a definitive agreement concerning such waiver and modifications had not been reached, however management is confident that an agreement could be reached. The financial statements have been prepared on the assumption that such negotiations would be successfully concluded and the requirement at December 31, 2013 would be waived. If management is unsuccessful in resolving such negotiations, the issuer could declare the bonds in default and demand immediate payment or pursue other remedies. If the bonds were called for immediate payment, the District would be required to obtain other credit facilities, if possible, or consider other options.

NOTE J – RELATED PARTY TRANSACTIONS

Tammany Holding Company, LLC is a limited liability company domiciled in Slidell, Louisiana and is the Developer. The Developer acquired the property which encompasses the District in 1996, at which time was mostly zoned suburban agriculture. The Developer prepared a Zoning and Master Plan for a mixed commercial and residential development based on concepts of “Smart Growth,” as opposed to “Urban Sprawl.” The Master Plan was approved by the Parish Council in 2001 and was subsequently revised on June 7, 2005.

Robert L. Torres, Sr. is the President, sole director and sole shareholder of the Developer. Mr. Torres manages all personnel of the Developer, as well as all subcontractors working in the Lakeshore Communities.

Robert L. Torres, Jr. is the Chief Financial Officer and General Manager over building construction of the Developer. He is also the Chairman of the District.

Mr. J. Durel Landry is the Vice-President-Administration for the Developer. He is also the District Manager.

NOTE K – BOARD MEMBERS PER DIEMS

There was one board meeting and no board per diem paid during the year ended December 31, 2013. The Board consists of the following individuals:

Name	Board Position	Principal Occupation/Affiliation
Robert Torres, Jr.	Chairman	CFO and Project Manager of the Developer
David Kerr	Vice Chairman	Owner and Operator of a computer services company
Bobbie Scaglione	Treasurer	Executive Secretary and Assistant of the Developer
Patricia Leary	Secretary	Administrative Assistant of the Developer
Ricky Martin	Member	Field Supervisor of the Developer

NOTE L – CONCENTRATION OF OWNERSHIP

The vast majority of the District's land is owned by the Developer, Tammany Holding Company, LLC. The Developer currently intends to develop the District lands. There are expected to be transfers of ownership of the District lands subsequent to the date of issuance of the Series 2007 Bonds. However, current economic conditions have resulted in the slowdown in the sale of property within the District by the Developer. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has a limited source of funds, and has currently failed to make payments when due which has depleted the Series 2007 Debt Service Reserve Account prior to replenishment from the resale of property upon a foreclosure or otherwise. As of December 31, 2013, the District has interest payable of $13,453,700. The District has a balance of $1,424,682 in its Series 2007 Debt Service Reserve Account, which could be used to make a partial payment. However, the Trustee has elected not to make any partial payments at this time.

NOTE M – CONTINGENCIES

A suit was filed against the District in 2013 related to the Special Assessment Series 2007 Bonds, but it is still pending in court. As of December 31, 2013, management did not believe there would be a significant outcome related to the financial statements thus no liability accrual was made. Through the date of this report, no further actions have been filed against the District.

NOTE N – GOING CONCERN

The accompanying financial statements have been prepared assuming Lakeshore Villages Master Community Development District will continue as a going concern. As of December 31, 2013 the District was in default with the required bond interest payments. That factor, as well as the uncertain conditions of future property sales within the District, creates an uncertainty about the District's ability to continue as a going concern.

Tammany Holding Company, LLC, the developer, intends to continue paying the necessary expenses on behalf of the District. The District plans to continue attempting to sell property and to renegotiate the debt service requirements related to the bonds.

The ability of the District to continue as a going concern is dependent on acceptance of the renegotiations and the District's ability to sell parcels of land in the future. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

NOTE O – SUBSEQUENT EVENTS

The required January 1, 2014 bond interest payment was not made by the District.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 13, 2014, and determined that no events, other than those stated above, occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget **	Actual	Variance
REVENUES			
Assessments	$ -	$ -	$ -
Total revenues	-	-	-
EXPENDITURES			
District auditor	11,000	13,573	(2,573)
Legal fees	5,000	-	5,000
Utilities	2,400	4,265	(1,865)
Fuel charges	-	24,863	(24,863)
Bank charges	-	120	(120)
Insurance	7,500	7,580	(80)
District manager fee	400	-	400
District engineer	2,500	-	2,500
Compensation - board members	1,000	-	1,000
Reserve for contingency	500	-	500
Total expenditures	30,300	50,401	(20,101)
CHANGE IN FUND BALANCE	(30,300)	(50,401)	20,101
FUND BALANCE - Beginning of year	(29,872)	(29,872)	-
FUND BALANCE - End of year	**$ (60,172)**	**$ (80,273)**	**$ 20,101**

** Budget was not amended during the year.

OTHER INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' 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 Board of Supervisors of
Lakeshore Villages Master Community Development District
Slidell, Louisiana

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 the governmental activities and each major fund of Lakeshore Villages Master Community Development District (the District), as of and for the year ended December 31, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Districts 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 the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2013-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-1 and 2013-2.

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 the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gurtner Zuniga Abney, LLC

June 13, 2014
New Orleans, Louisiana

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Management letter issued?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

Finding 2013-1

Condition: Approval of expenditures by the District were not sufficiently documented.

Criteria: The District should have policies and procedures in place to ensure proper approval and documentation of approval of expenditures.

Effect: Expenditures may be paid without proper approval of invoices which could result in the misappropriation of funds.

Cause: The District does not have policies and procedures in place to ensure proper documentation of approval of expenditures.

Auditors' recommendation: Policies and procedures should be established by the District to ensure proper approval and documentation of approval of expenditures before payment.

Management response and current status: Management intends to implement policies and procedures to require documentation of approval of expenditures.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Compliance and Other Matters</u>

Finding 2013-2

Condition: Total expenditures exceeded budgeted expenditures by greater than 5%.

Criteria: Budgeted expenditures to actual expenditures should be monitored and the budget amended and adopted as necessary so that actual expenditures to not exceed budgeted expenditures.

Effect: The District is not in compliance with the Local Government Budget Act.

Cause: No amendment to the budget was prepared and adopted when total expenditures failed to meet total budgeted expenditures by 5% of more.

Auditors' recommendation: The District should monitor budgeted expenditures to actual expenditures during the year and amend and adopt the budget as necessary.

Management response and current status: The District will monitor the budgeted expenditure to actual expenditures during the year and amend and adopt the budget as necessary to remain in compliance.

Finding 2010-1

Condition: As discussed in Note L, the vast majority of the District lands are owned by the Developer, Tammany Holding Company, LLC, with the Developer currently intending to develop the District lands. However, current economic conditions have resulted in the slowdown in the sale of property within the District by the Developer. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has limited sources of funding. The Developer has currently failed to make payments when due which has depleted the Series 2007 Debt Service Reserve Account without replenishment from the resale of property upon a foreclosure or otherwise. As of December 31, 2013, the District was in default with the required payments related to the bonds.

Criteria: The District should make timely payments on the Series 2007 Bonds to be in compliance with the bond agreement.

Effect: The District is currently in violation of their bond agreement.

Cause: The District currently cannot make the required interest payments on the bonds. The District is solely dependent on the Developer's ability to sell properties within the District.

Auditors' recommendation: The District should seek to restructure the bond agreement and attempt to sell District lands.

Management response and current status: The District has been attempting negotiations with the bond creditors to restructure the bond agreement. However, at this time, no restructure has been made. The District will continue to attempt to negotiate a restructure agreement.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-1

Condition: As discussed in Note L, the vast majority of the District lands are owned by the Developer, Tammany Holding Company, LLC, with the Developer currently intending to develop the District lands. However, current economic conditions have resulted in the slowdown in the sale of property within the District by the Developer. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. The Developer has limited sources of funding. The Developer has currently failed to make payments when due which has depleted the Series 2007 Debt Service Reserve Account without replenishment from the resale of property upon a foreclosure or otherwise. As of December 31, 2012, the District was in default with the required payments related to the bonds.

Auditor's recommendation: The District should continue to seek to restructure the bond agreement.

Management response and current status: Not resolved. See finding 2010-1 in the schedule of current year findings and responses.