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**LAKESHORE VILLAGES MASTER
COMMUNITYDEVELOPMENT DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE PERIOD OF INCEPTION
(February 7, 2007)
THROUGH DECEMBER 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/08

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2007**

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**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
*For the Period of Inception (February 7, 2007) through December 31, 2007***

The following narrative is presented to facilitate a better understanding of the year-end financial position and results of operations for the year ended December 31, 2007. When read in conjunction with the notes to the financial statements, this section's financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the governmental activities as a whole and present a longer-term view of the finances. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (Fund Financial Statements) tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the government-wide statements by providing information about the most significant funds.

Our auditor has provided assurance in the independent auditor's report, located immediately following this MD&A, that the basic financial statements are fairly stated. The auditor, regarding the Required Supplemental Information and the Other Supplemental Information is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Report.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities (GWFS) report information as a whole and about activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These GWFS report the net assets and changes in them. You can think of net assets—the difference between assets and liabilities—as one way to measure the financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating. The Statement of Activities provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Period of Inception (February 7, 2007) through December 31, 2007

Fund Financial Statements (FFS)

The fund financial statements provide detailed information about the most significant funds—not as a whole. Some funds are required to be established by State laws. The Lakeshore Villages Master Community Development District utilizes the governmental type of fund with the following accounting approach. Most of the basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The FFS provide a detailed short-term view of the general government operations and the basic services provided. FFS information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (GWFS) and governmental funds (FFS) in the reconciliation at the bottom of the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year include the following:

- This is the initial year for the District – all beginning balances are zero.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets of \$(2,958,639) including infrastructure assets purchased, net of accumulated depreciation and net of related debt.
 - (2) Restricted for debt service of \$11,531,652.
- Total spending for all governmental activities was \$1,171,730; contributions of \$8,975,558 added to \$769,185 of general revenues resulted in net assets of \$8,573,013.
- The governmental funds reported total ending fund balance of \$9,592,359, of which \$ (7,617) was considered unreserved and \$9,599,976 was reserved for debt service.
- Total revenue reported for all governmental funds was \$769,185 and expenditures were \$64,099,012, including \$63,146,442 of capital expenditures and \$944,875 of debt service expenditures. Other financing sources include \$75,000,000 of bond proceeds less \$2,077,814 of bond issue discount and fees. This resulted in an excess of revenues over expenditures of \$9,592,359.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period of Inception (February 7, 2007) through December 31, 2007

FINANCIAL ANALYSIS AS A WHOLE (GWFS)

Since this is the District's first year of operations, only current year financial data is available for analyses. A comparative analysis will be provided in future years when prior year information is available.

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

Condensed Statement of Net Assets	
	2007
Current and Other Assets	\$ 11,827,281
Non-current Assets	69,417,426
Capital Assets (net)	<u>71,643,361</u>
Total Assets	152,888,068
Current Liabilities	2,234,922
Non-current Liabilities	67,478,133
Long Term Debt	<u>74,602,000</u>
Total Liabilities	144,315,055
Invested in Capital Assets, net of debt	(2,958,639)
Restricted for Debt Service	<u>11,531,652</u>
Total Net Assets	\$ 8,573,013

The District provides infrastructure and accounts for the related debt. Sources of revenue include bond proceeds, earnings on investments and assessments on property – currently held and when sold. The following condensed Statement of Activities shows the major sources of revenue and expenses:

Condensed Statement of Activities	
	2007
Operating Contributions	\$8,975,558
Program Expenses:	
Current	7,695
Depreciation, Amortization and Interest	<u>1,164,035</u>
Total program expenses	<u>1,171,730</u>
Net program income	7,803,828

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period of Inception (February 7, 2007) through December 31, 2007

General revenues	769,185
Change in Net Assets	8,573,013
Net Assets:	
Beginning of the year	-
End of the year	<u>\$ 8,573,013</u>

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (FFS)

Governmental Funds:

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 \$9,592,359 of which \$9,599,976 is reserved for debt service. Certain balances in the total are *reserved* to indicate that it is not available for new spending.

Other highlights of the Major Governmental Funds were:

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

The 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.

BUDGETARY HIGHLIGHTS

There was no budget adopted for the partial year ended December 31, 2007 however, for 2008 a budget was adopted. The 2008 budget anticipates \$100,500 of expenditures.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period of Inception (February 7, 2007) through December 31, 2007

CAPITAL ASSETS

The value of infrastructure assets purchased during the year 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. This year there was \$478,639 of depreciation expense recorded for the 8 months since the purchase date of the assets. More detailed information about the capital assets is presented in Note 5 to the basic financial statements.

LONG-TERM DEBT

The District issued \$75,000,000 Series 2007 Special Assessment Bonds to fund the purchase of infrastructure assets. During the year, \$398,000 of these bonds were redeemed. More detailed information about long-term liabilities is presented in Note 6 to the financial statements.

CURRENT AND EXPECTED CONDITIONS

Presently, the District Supervisors are not aware of any significant changes in conditions that would have a significant effect on the financial position or results of activities in the near future.

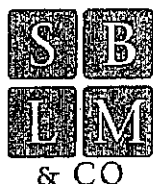
**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period of Inception (February 7, 2007) through December 31, 2007

CONTACTING FINANCIAL MANAGEMENT

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

Mr. Robert Torres, Jr, Chairman
3600 Lakeshore Boulevard
Lakeshore, LA 70461
985-641-0089

FINANCIAL SECTION



SAGONA, BOURG, LEE, MATTHEW & CO., L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakeshore Villages Master Community Development District as of and for the period of inception (February 7, 2007) through December 31, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Lakeshore Villages Master Community Development District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Lakeshore Villages Master Community Development District as of December 31, 2007, and the respective changes in financial position for the period of inception (February 7, 2008) through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008, on our consideration of the Lakeshore Villages Master Community Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Required Supplementary Information, as listed in the foregoing table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Sagone, Bong, Lee, Matthew + Co., LLC

November 11, 2008

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Statement of Net Assets
December 31, 2007

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,383
Restricted assets - cash equivalents	101,544
Restricted assets - Investments	9,598,193
Prepaid interest	2,125,161
Total current assets	<u>11,827,281</u>
NONCURRENT ASSETS	
Assessments receivable	67,240,133
Unamortized Underwriter's Discount	956,667
Unamortized Original Issue Discount	700,000
Unamortized Bond Issue Costs	282,626
Total noncurrent assets	<u>69,179,426</u>
CAPITAL ASSETS	
At cost (net of accumulated depreciation of \$478,639)	<u>71,643,361</u>
TOTAL ASSETS	<u>152,650,068</u>
LIABILITIES AND FUND EQUITY	
CURRENT LIABILITIES	
Deferred Assessment Collected	2,224,922
Due to Tammany Holding Company, LLC	10,000
Total current liabilities	<u>2,234,922</u>
NON-CURRENT LIABILITIES	
Deferred Assessment Revenue	67,240,133
LONG-TERM DEBT	
Bonds due after one year	<u>74,602,000</u>
TOTAL LIABILITIES	<u>144,077,055</u>
NET ASSETS	
Invested in capital assets, net of related debt	(2,958,639)
Restricted for:	
Debt Service	11,539,268
Capital Projects	(7,616)
TOTAL NET ASSETS	<u>\$ 8,573,013</u>

See Notes to Financial Statements.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

For the Period of Inception (February 7, 2007) through December 30, 2007

	Program Revenues:			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses)/ Revenue
Governmental Activities				
Bond interest paid	\$ 546,875			(\$546,875)
Office operations	95			(95)
Board per diems	1,350			(1,350)
District manager fees	6,250			(6,250)
Donation by Developer	-		8,975,558	8,975,558
Amortization of bond issuance costs	138,521			(138,521)
Depreciation	478,639			(478,639)
Total Governmental Activities	\$ 1,171,730	\$ -	\$ 8,975,558	7,803,828
General Revenues:				
Assessments				576,093
Interest				193,092
Total General Revenues				769,185
Change in Net Assets				8,573,013
Net Assets:				
Beginning				-
Ending				\$ 8,573,013

See notes to the financial statements.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Balance Sheet
December 31, 2007

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS			
Cash and cash equivalents	\$ 2,383	\$ -	\$ 2,383
Restricted assets - cash equivalents	-	101,544	101,544
Restricted assets - Investments	-	9,598,193	9,598,193
Assessments receivable	-	67,240,133	67,240,133
Prepaid interest	-	2,125,161	2,125,161
TOTAL ASSETS	<u>\$ 2,383</u>	<u>\$ 79,065,031</u>	<u>\$ 79,067,414</u>
LIABILITIES & FUND EQUITY			
LIABILITIES			
Deferred Assessment Revenue	-	67,240,133	67,240,133
Deferred Assessment Collected	-	2,224,922	2,224,922
Due to Tammany Holding Co, Inc.	10,000	-	10,000
TOTAL LIABILITIES	<u>10,000</u>	<u>69,465,055</u>	<u>69,475,055</u>
FUND EQUITY			
Reserved for:			
Debt Service	-	9,599,976	9,599,976
Unreserved	(7,617)	-	(7,617)
TOTAL FUND EQUITY	<u>(7,617)</u>	<u>9,599,976</u>	<u>9,592,359</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 2,383</u>	<u>\$ 79,065,031</u>	<u>\$ 79,067,414</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS:**

Fund Balances, Governmental Funds	9,592,359
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds -	71,643,361
Unamortized debt issue costs which are recorded as current expenditures in governmental activities -	282,626
Unamortized bond discount costs which are recorded as current expenditures in governmental activities -	700,000
Unamortized underwriter's discount costs which are recorded as current expenditures in governmental activities -	956,667
Bonds payable are not due and payable in the current period and therefore are not reported in the funds -	<u>(74,602,000)</u>
Net Assets, Governmental Activities	<u>\$8,573,013</u>

See Notes to Financial Statements.

**LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT
DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2007

	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES			
Assessments on Lots	\$ 77	\$ 576,016	\$ 576,093
Interest	-	193,092	193,092
Total revenues	<u>77</u>	<u>769,108</u>	<u>769,185</u>
EXPENDITURES			
GENERAL GOVERNMENT:			
Office operations	95	-	95
Per diems	1,350	-	1,350
District manager fees	6,250	-	6,250
	<u>7,695</u>	<u>-</u>	<u>7,695</u>
CAPITAL OUTLAY	63,146,442	-	63,146,442
DEBT SERVICE:			
Principal, 2007 Series	-	398,000	398,000
Interest, 2007 Series	-	546,875	546,875
Total expenditures	<u>63,154,137</u>	<u>944,875</u>	<u>64,099,012</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	9,775,744	9,775,744
Transfers out	(9,775,744)	-	(9,775,744)
Bond proceeds	75,000,000	-	75,000,000
Underwriter Fees	(1,025,000)	-	(1,025,000)
Original Issue Discount	(750,000)	-	(750,000)
Bond Issuance Costs	(302,814)	-	(302,814)
	<u>63,146,442</u>	<u>9,775,744</u>	<u>72,922,186</u>
CHANGE IN NET ASSETS	(7,818)	9,599,977	9,592,359
NET ASSETS			
Beginning of year	-	-	-
End of year	<u>(\$7,818)</u>	<u>\$9,599,977</u>	<u>\$9,592,359</u>
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES:			\$9,592,359
Capital outlays are reported in governmental funds as expenditures, however in the statement of activities, the cost of these assets is allocated over their estimated useful lives:			
Capital outlay	63,146,442		
Assets donated by Developer	8,975,558		
Depreciation	(478,639)		
			71,643,361
Long term debt provides current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long term debt in the statement of net assets:			
Proceeds from long term debt	(75,000,000)		
Principal paid on long-term debt	398,000		
Amortization of bond issuance costs	(138,521)		
Bond Discount	750,000		
Bond Issue Cost	302,814		
Underwriter fees	1,025,000		
			(72,662,707)
			<u>\$ 8,573,013</u>

See notes to financial statements.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

CREATION, POWERS AND PURPOSE OF THE DISTRICT

Pursuant to and in accordance with the provisions of Chapter 27-B of Title 33 of the LA Statutes of 1950, as amended, specifically LA RS 33:9039.11 through 9039.37, inclusive (the "Act"), Lakeshore Villages Master Community Development District (the District) was established effective on January 19, 2007 by Ordinance Parish Council Series No. 07-1497 adopted by the Parish Council of the Parish of St. Tammany, State of Louisiana on January 4, 2007, as corrected by resolution of the Parish Council adopted on January 24, 2007. In accordance with the Act, 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 purposes of the District are to finance and manage, through the levy and collection of special assessments, basic community development services, including, 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.

The Act provides that neither the Board of Supervisors nor any person executing the Series 2007 Bonds 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 provided for in the Act shall not apply to any gross negligence or criminal negligence on the part of any supervisor or person executing the Series 2007 Bonds.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

A. Reporting Entity

The District is a special district authorized by Article VI, Section 19 of the Louisiana Constitution and the Act, and is governed by a Board of Supervisors consisting of five members. The initial supervisors, which shall hold office for a 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 elections 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 GASB Statement No. 14 "The Financial Reporting Entity", in that the financial statements include all organizations, activities, and functions that comprise 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.

B. Basis of Presentation

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds in the financial statements in this report are as follows:

Governmental-wide Financial Statements (GWFS):

GWFS include the Statement of Net Assets and the Statement of Activities for all activities of the District. The GWFS presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through special assessments.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Fund Financial Statements (FFS)

Governmental funds account for all or most of the general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations. The following are the governmental funds:

Capital Projects Fund - The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or purchases.

Debt Service Fund - accounts for the accumulation of financial resources for payment of interest and principal on the debt of the District.

C. Measurement Focus / Basis of Accounting

Government-Wide Financial Statements (GWFS)

The government-wide financial statements display information as a whole. These statements include all the financial activities. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed).

Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

Program Revenues - are derived directly from property owners as assessments; program revenues reduce the cost of the function to be financed from the general revenues.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Measurement Focus / Basis of Accounting (continued)

Direct Expenses - are those that are clearly identifiable with a specific function or segment.

General Revenues – other items not properly included among program revenues.

Fund Financial Statements (FFS)

The amounts reflected in fund financial statements, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

The amounts reflected in the fund financial statements, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end.

Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Measurement Focus / Basis of Accounting (continued)

Revenues – Special assessment fees are recorded as revenue in the period for which they will be applied, thus assessment fees collected which were levied to finance the 2008 budget are recognized as revenue in 2008. The 2007 levy is recorded as deferred revenue in the current financial statements. Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable or available until actually received.

Expenditures – The major expenditures are recorded when payable or when the fees are incurred.

D. Cash and Cash Equivalents

The entity's 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 "Investments". For presentation in the financial statements, investments in the Money Market Accounts are considered to be cash equivalents.

E. Investment Securities

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 any of the following agencies or such other government sponsored agencies which may presently exist or be hereafter created; provided that such bonds, debentures, notes or other evidences of indebtedness are fully guaranteed as to both principal and interest by the USA:

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. Investment Securities (continued)

- i. Bank for Cooperatives;
- ii. Federal Intermediate Credit Banks;
- iii. Federal Financing Bank;
- iv. Federal Home Loan Bank System;
- v. Export Import Bank of the US;
- vi. Rural Economic Community Development Administration;
- vii. Farm Credit System Financial Assistance Corporation;
- viii. Small Business Administration;
- ix. Inter American Development Bank;
- x. International Bank for Reconstruction and Development;
- xi. Federal Land Banks;
- xii. The Federal National Mortgage Association;
- xiii. The Government national Mortgage Association;
- xiv. The Tennessee Valley Authority;
- xv. The Washington Metropolitan Area Transit Authority;
- 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;
- Investment 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 above (including the Hancock Horizon US Treasury Money Market Class A Fund);
- Commercial paper which at the time of purchase is rated in the highest rating category by S&P and Moody's;

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. Investment Securities (continued)

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 or trust company having a combined net capital and surplus of not less than \$50,000,000.

F. Restricted Assets

Restricted assets are cash, cash equivalents and investments whose use is limited by legal requirements. Restricted cash, cash equivalents and investments represent amounts required by debt covenant to be segregated for final year debt payments and accrued interest on the bonds.

Pursuant to the Trust Indenture, the amount of the Series 2007 Bond proceeds to acquire the Phase I Property benefiting the District Lands was placed in the **Series 2007 Acquisition and Construction Account**. The amounts held in the Series 2007 Acquisition and Construction Account will be available for disbursement upon receipt by the Trustee of a Disbursement Request from the District as required by, and in accordance with, the terms of the Indenture.

A portion of the bond proceeds - \$2,275,744 of the Series 2007 Bonds were deposited into the **Series 2007 Capitalized Interest Account** of the Debt Service Fund established under the Indenture and used to pay interest due on the Series 2007 Bonds for approximately 7 months. The Indenture provides that this amount shall be transferred by the Trustee as necessary for deposit in the Series 2007 Interest Account of the Debt Service Fund to be used to pay the initial debt service payments on the Series 2007 Bonds.

\$7,500,000 of the proceeds of the Series 2007 Bonds were deposited, as required by the Indenture into the **Series 2007 Debt Service Reserve Account**.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. Capital Assets

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; 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
LAND, RIGHT OF WAYS, LAKES & PONDS	N/A
ROADS, STREETS & DRAINAGE	40 YEARS
UTILITY PLANTS & PUMPS	25 YEARS
LANDSCAPING & 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.

H. Fund Equity

Net assets present the difference between assets and liabilities in the GWFS. In the GWFS net assets are classified and displayed in three components:

1. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. Fund Equity (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Any designations of fund balance represent tentative management plans that are subject to change.

I. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Assessment Methodology

The District uses Krebs, LaSalle LeMieux Consulting, Inc. 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 lot 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 improvements.

The assets acquired are by their nature part of systems of infrastructure which benefits all of the parcels throughout the District. However, the infrastructure subject to the special assessment benefits the lots that are currently impacted by the roadway system, levees, canals and pumps to a greater degree than the other lots. The lots in POD 1, POD 6 and POD 7 have also been approved by the parish for sub-division for development and sale or construction.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

J. Assessment Methodology (continued)

Therefore, the beneficial assessment is based upon one assessment for the lots in POD 1,6 and 7 of \$5 per square foot and the lots in POD 2,3,4,5,8,9 and 10 and Parcel 1 at approximately \$2 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", as provided for in La. R.S. 33:9039.29(A) of the Act, against the lands within the District that are subject to assessment regarding the Project or any portion thereof, and in case of both "special assessments" and "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.

K. Budgets

As required by Louisiana Revised Statutes, the Board of Supervisors did not adopt a budget for the year ended December 31, 2007 because it was the initial year of inception of the entity. The Board has adopted a budget for the year ending December 31, 2008 and is in compliance with state law.

L. Special Bond Provisions

The Series 2007 bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of and 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.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

L. Special Bond Provisions (continued)

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 or 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.

Note 2 DEPOSITS AND INVESTMENTS

Deposits:

All moneys received by the Trustee under a Supplemental Indenture for deposit in any Fund or Account established under the Indenture or such Supplemental Indenture shall be considered trust funds, shall not be subject to lien or attachment, except for the lien created by the Indenture, and shall be deposited with the Trustee, until or unless invested or deposited as provided. All such deposits or moneys received by the Trustee shall, to the extent not insured, and to the extent permitted by law, be fully secured as to both principal and interest earned.

A summary of deposits are listed as follows:

	Bank Balance	Reported Amount
Checking & MMAs	\$103,927	\$103,927

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 2 DEPOSITS AND INVESTMENTS (continued)

State law requires that deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished, as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision. Under the provision of GASB, pledged securities, which are not in the name of the governmental unit, are considered uncollateralized.

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to it. The District has a written policy for custodial credit risk. As of year end \$3,927 of the bank balance of deposits was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. At year-end all of the District's deposits were not adequately collateralized by securities held by unaffiliated banks for the account of the District.

Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

As per the Indenture Agreement, Hancock Bank is appointed as trustee and paying agent for the Bonds.

The District's Investments are summarized below:

Type	
Principal cash - restricted	\$ 40,500
Hancock Horizon Treasure Money Market Fund	<u>9,557,693</u>
	<u>\$ 9,598,193</u>

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 2 DEPOSITS AND INVESTMENTS (continued)

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 counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the District's name. The District's investments are considered Category 3 level of risk.

Note 3 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 reinscription so long as there are outstanding any 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. It is anticipated that, as a Parcel is sold by the Developer, the Developer, will, in the purchase agreement and/or act of sale relating to such Parcel, as a condition of such sale, contractually obligate the purchaser to pay the District the full amount of the Phase I Special Assessment allocable to the Parcel in accordance with the Assessment Ordinance, less the amount of the Debt Service Reserve Fund Credit applicable to such amount.

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 as required by the Indenture. 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 in accordance with the provisions of the Indenture.

The Board is required by the Act 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 under the Act is required by the Act to be based upon a report of the District's engineer and assessed by the Board upon the District Lands.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007.

Note 3 SPECIAL ASSESSMENTS (continued)

The amount of the Phase I Special Assessment is based on the Infrastructure Valuation Report.

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 the Tax Assessor not 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 Commission 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 assessed until paid, and are enforceable in like manner as Parish Taxes.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 4 ASSESSMENTS RECEIVABLE

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

<u>Area</u>	<u>Total Area Square Feet</u>	<u>Acres</u>	<u>Estimated Number of Parcels/ Apartments ⁽¹⁾</u>	<u>Assessment per Square Foot</u>	<u>Allocable Principal</u>	<u>Total Average Assessment per Parcel</u>	
						<u>Single Family ⁽²⁾</u>	<u>Multifamily</u>
Parcel 1	174,248	4.00	84	\$1.94	\$ 337,932.30	N/A	\$4,023
POD 1	3,619,565	83.86	534	5.00	18,097,823.00	\$33,891	N/A
POD 2	2,259,554	52.25	401	1.94	4,382,127.12	10,928	N/A
POD 3	1,597,500	37.11	190	1.94	3,098,155.35	16,306	N/A
POD 4	3,544,760	82.90	453	1.94	6,874,625.54	15,176	N/A
POD 5	2,287,228	52.70	281	1.94	4,435,798.08	15,786	N/A
POD 6	1,694,630	39.15	202	5.00	8,473,149.05	41,946	N/A
POD 7	3,148,131	72.85	378	5.00	15,740,654.90	43,642	N/A
POD 8	2,887,847	67.24	358	1.94	5,600,623.19	15,644	N/A
POD 9	2,578,145	59.73	308	1.94	4,999,994.32	16,234	N/A
POD 10	1,525,808	35.05	764	1.94	2,959,117.15	N/A	3,873

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:

<u>YEAR</u>	<u>AMOUNT DUE</u>
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	½ of the unpaid Phase I Special Assessment
2016	Balance of the unpaid Phase I Special Assessment

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 4 ASSESSMENTS RECEIVABLE (continued)

The assessments levied for the 2007 bonds were \$ 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 accounts receivable and deferred revenue. At the time the assessment are prepaid, the amount in the corresponding accounts are reduced by the prepayment.

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

Original assessment:	\$ 67,500,000
Paid in 2007 (on sold parcels)	<u>259,174</u>
Balance of Assessments Receivable	\$ 67,240,826

Note 5 CAPITAL ASSETS

Proceeds of the Series 2007 Bonds will be used by the District to acquire the Phase I Property, which consists of and includes the Phase I Improvements and certain predial servitudes and rights of way relating to the Phase I Improvements. The Phase I Improvements were conveyed, pursuant to the Predial Servitude and Act of Conveyance of Capital Infrastructure Improvements dated May 10, 2007 by and between the District and the Developer (Tammany Holding Company). 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 is subject to the predial 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 Krebs, LaSalle, LeMieux Consultants, Inc 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.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 5 CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Ending Balance
NON-DEPRECIABLE ASSETS			
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:			
Lakeshore Boulevard East	-	7,133,000	7,133,000
Entrance Bridge	-	600,000	600,000
Pump Station	-	3,500,000	3,500,000
South End Access Road	-	7,352,000	7,352,000
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			
Lakeshore Boulevard East	-	118,883	118,883
Entrance Bridge	-	10,000	10,000
Pump Station	-	93,333	93,333
South End Access Road	-	122,533	122,533
General costs	-	133,889	133,889
Total accumulated depreciation	-	478,639	478,639
Net depreciable assets		24,131,361	24,131,361
Net capital assets	\$ -		\$ 71,643,361

Depreciation Expense of \$478,639 was recorded in the governmental activities.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 6 LONG-TERM DEBT

During the year 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 Hancock Bank of Louisiana, as trustee. The Series 2007 Bonds are issued as fully registered bonds without coupons in book-entry only form in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof. The Series 2007 Bonds will be secured primarily by the Pledged Revenues which shall be derived from the proceeds of the Phase I Special Assessment levied on certain property within the District Lands benefiting from the Phase I Improvements, as well as from certain funds and accounts established pursuant to the Indenture.

The Series 2007 Bonds and the purposes therefore were approved by the District's Board of Supervisors on February 22, 2007, and by the Louisiana State Bond Commission on March 15, 2007.

The proceeds of the Series 2007 Bonds will be used by the District to (i) acquire the Phase I Property, (ii) fund a debt service reserve account, (iii) pay capitalized interest on the Series 2007 Series Bonds; and (iv) pay the costs of issuance of the Series 2007 Bonds. The initial Trustee for the Series 2007 Bonds is Hancock Bank of Louisiana, Metairie, Louisiana.

The Series 2007 Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Commission (DTC), New York, New York and will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee).

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization", a member of the Federal Reserve System, a "clearing corporation" and a "clearing agency" registered pursuant to the provisions of Section 17A of the SEC Act of 1934. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 6 LONG-TERM DEBT (continued)

Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2007 Bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service schedule for the Series 2007 Bonds based on the maturity and interest rate set forth on the cover of this Limited Offering Memorandum, assuming no redemptions other than mandatory sinking fund redemptions are made. Numbers may not add due to rounding.

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest ⁽¹⁾</u>	<u>Total Debt Service</u>
2007		2,515,625	2,515,625
2008		3,937,500	3,937,500
2009		3,937,500	3,937,500
2010		3,937,500	3,937,500
2011		3,937,500	3,937,500
2012		3,937,500	3,937,500
2013		3,937,500	3,937,500
2014	18,750,000	3,445,313	22,195,313
2015	18,750,000	2,460,938	21,210,938
2016	18,750,000	1,476,563	20,226,563
2017	18,750,000	492,188	19,242,188
TOTAL	75,000,000	34,015,626	109,015,627

Because of pre-payments, actual principal balance at December 31, 2007 was \$74,602,000; therefore, the actual debt service schedule will be slightly different from the above schedule.

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.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 6 LONG-TERM DEBT (continued)

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.

The following payments made were considered as redemption:

On 07/01/2007	\$338,000
On 10/01/2007	<u>60,000</u>
Total	\$398,000

In the case of any partial redemption of Series 2007 Bonds as described above, such redemption shall be effectuated by redeeming Series 2007 Bonds pro rata among the maturities, with the portion to be redeemed from each maturity being equal to the product 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.

Note 7 RELATED PARTIES

Tammany Holding Corporation is a corporation domiciled in Slidell, Louisiana and is the Developer. The Developer acquired the Lakeshore Property in 1996, at which time the Lakeshore Property 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 of the Developer. He is also the District Manager.

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Notes to the Financial Statements

For the Period of Inception (February 7, 2007) through December 31, 2007

Note 8 CONCENTRATION OF OWNERSHIP

The vast majority of the District Lands are owned by the Developer, Tammany Holding Company, LLC. The Developer currently intends to develop the District Lands. There are expected to be subsequent transfers of ownership of the District Lands subsequent to the date of issuance of the Series 2007 Bonds. However, should interest rates increase, the sale of property in the District Lands by the Developer could slow down. The timely payment of the Series 2007 Bonds depends on the willingness and ability of the Developer to pay the Special Assessment when due. A failure to make payments when due could result in the 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.

SUPPLEMENTAL INFORMATION

**LAKESHORE VILLAGES MASTER COMMUNITY
DEVELOPMENT DISTRICT**

Board Members Compensation

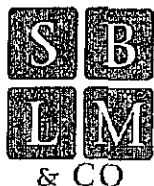
For the Period of Inception (February 7, 2007) through December 31, 2007

The present Board of Supervisors of the District, and the per diem compensation paid for the period ended December 31, 2007 was as follows:

Robert L. Torres, Jr., Chairman	\$ 300
Bobbie Scaglione, Treasurer	\$ 150
Ricky Martin	\$ 300
Dave Kerr, Vice Chairman	\$ 300
Patricia Leary, Secretary	\$ 300

There is no set Board meeting schedule. The Board of Supervisors meets "as needed" and is compensated \$75 per diem per meeting attended.

REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS



SAGONA, BOURG, LEE, MATTHEW & CO., L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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
Lakeshore Villages Master Community Development District
Lakeshore, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the Lakeshore Villages Master Community Development District as of and for the period of inception (February 7, 2007) through December 31, 2007, which collectively comprise the basic financial statements and have issued our report thereon dated November 11, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Lakeshore Villages Master Community Development District's internal control over financial reporting as a basis for designing our audit procedures 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal controls.

To the Board of Supervisors
Lakeshore Villages Master Community Development District
Lakeshore, Louisiana
Page 2 of 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakeshore Villages Master Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance noted as 2007-1 in the accompanying Schedule of Findings and Questioned Costs that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dagana, Baum, Lee, Matthew & Co., LLC

November 11, 2008

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Schedule of Current Year Findings

For the Period of Inception (February 7, 2007) through December 31, 2007

We have audited the financial statements of the governmental activities and each major fund of the Lakeshore Villages Master Community Development District, as of and for the period of inception (February 7, 2007) through December 31, 2007, which collectively comprise the basic financial statements and have issued our report thereon dated November 11, 2008. 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.

Our audit of the financial statements as of December 31, 2007 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses **No**

Reportable Conditions **No**

Compliance

Compliance Material to Financial Statements **Yes – 2007-1**

b. Federal Awards –

NOT APPLICABLE

Internal Control

Material Weaknesses ☐ Yes ☐ No

Reportable Conditions ☐ Yes ☐ No

Type of Opinion On Compliance Unqualified ☐ Qualified ☐

For Major Programs Disclaimer ☐ Adverse ☐

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? ☐ Yes ☐ No

c. Identification of Major Programs:

NOT APPLICABLE

Lakeshore Villages Master Community Development District
Schedule of Current Year Findings
Page 2 of 2

Section II Financial Statement Findings

2007-1 STATE AUDIT LAW VIOLATION

FINDING: The District did not file audited financial statements within six months of the close of the fiscal year.

RESULT: A Legislative Auditor Extension Request was filed for however, the audit was not completed and filed by the deadline of June 30, 2008.

CAUSE: This is the first audit of a new entity. The auditor needed additional time to fully comprehend statutes that govern the entity and the voluminous bond issue closing documents.

RECOMMENDATION: Comply with state law by timely filing audited financial statements.

Section III Federal Award Findings and Questioned Costs

NOT APPLICABLE

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2007**

**SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS:**

Reference #: 2007-1 STATE AUDIT LAW VIOLATION

Description of Finding:

The District did not file audited financial statements within six months of the close of the fiscal year.

Corrective Action Planned:

File audited financial statements within six months after the close of the fiscal year.

Name of Contact Person: Robert Torres, Jr.

Anticipated Completion Date: June 30, 2009

**SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS NOT APPLICABLE**

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
Page 2 of 2

SECTION III – MANAGEMENT LETTER COMMENTS:

Reference #: 2007-2: BUDGET LAW REQUIREMENTS

Description of Finding:

Since this was the initial year for the District, the budget was not prepared. The Board has adopted a budget for the year ending December 31, 2008 however, there are some components required by the law that need to be amended and re-adopted by the District.

Corrective Action Planned:

Amend and re-adopt the 2008 budget.

Name of Contact Person: Robert Torres, Jr.

Anticipated Completion Date: December 31, 2008