

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Annual Financial Statements

December 31, 2022



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the budgetary comparison information on page 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, on our consideration of Lakeshore Villages Master Community Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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.



A Professional Accounting Corporation

Covington, LA
June 20, 2023

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

Our discussion and analysis of Lakeshore Villages Master Community Development District, St. Tammany Parish, Louisiana (the District) provides a narrative overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes to the basic financial statements, and supplementary information.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year resulting in a net position balance of \$58,639,848.

The District's total net position decreased \$1,144,852 in the current fiscal year. The key components of the District's net position and change in net position are reflected in the tables in the government-wide financial analysis section.

At December 31, 2022, the District's governmental funds reported combined ending fund balances of \$8,528,145, an increase of \$7,014,628 in comparison with the prior fiscal year. The total fund balance is non-spendable for prepaid items and deposits, restricted for debt service and construction, and the remainder is unassigned.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

The government-wide financial statements include all governmental activities that are principally supported by assessments. The District does not have any business-type activities. The governmental activities of the District include community development and general government functions.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds for external reporting. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, each of which are considered major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

Notes to the Financial Statements

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

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	2022	2021	\$ Change
Assets			
Current and Other Assets	\$ 51,493,598	\$ 36,578,672	\$ 14,914,926
Capital Assets, Net of Depreciation	90,297,733	91,795,780	(1,498,047)
Total Assets	\$ 141,791,331	\$ 128,374,452	\$ 13,416,879
Liabilities			
Current Liabilities	\$ 576,063	\$ 267,785	\$ 308,278
Long-Term Liabilities	40,050,615	33,420,182	6,630,433
Total Liabilities	40,626,678	33,687,967	6,938,711
Deferred Inflows of Resources	42,524,805	34,901,785	7,623,020
Net Position			
Net Investment in Capital Assets	50,073,556	58,292,982	(8,219,426)
Restricted	8,506,950	1,513,517	6,993,433
Unrestricted	59,342	(21,799)	81,141
Total Net Position	58,639,848	59,784,700	(1,144,852)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 141,791,331	\$ 128,374,452	\$ 13,416,879

The District's net position reflects its investment in capital assets (e.g., land, land improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Management's Discussion and Analysis

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

Key elements of the change in net position are reflected in the following table:

	2022	2021	\$ Change
Revenues			
Program Revenues			
Charges for Services	\$ 2,829,787	\$ 1,875,234	\$ 954,553
General Revenues			
Other	91,758	1,034	90,724
Total Revenues	2,921,545	1,876,268	1,045,277
Expenses			
Community Development	2,635,585	2,688,410	(52,825)
Interest	1,430,812	969,327	461,485
Total Expenses	4,066,397	3,657,737	408,660
Change in Net Position	(1,144,852)	(1,781,469)	636,617
Net Position, Beginning of the Year	59,784,700	61,566,169	(1,781,469)
Net Position, End of the Year	\$ 58,639,848	\$ 59,784,700	\$ (1,144,852)

As noted above and in the statement of activities, the cost of all governmental activities for the fiscal year ended December 31, 2022 was \$4,066,397. The costs of the District's activities were funded primarily by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year as a result of an increase in assessments levied for debt services and to fund operations. In total, expenses increased 11% from the prior fiscal year.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures were greater than appropriations by \$31,716 for the fiscal year ended December 31, 2022.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022, the District had \$103,325,527 invested in capital assets with a book value of \$90,297,733. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At December 31, 2022, the District had \$39,770,000 in bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

It is anticipated that the general operations of the District will increase in fiscal year 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, landowners, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact Lakeshore Villages Master Community Development District Accounting Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Statement of Net Position
December 31, 2022**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 475,555
Restricted Cash and Cash Equivalents	8,468,803
Special Assessments Receivable	42,524,805
Accounts Receivable	3,240
Other Assets	21,195
Capital Assets - Infrastructure, Net	<u>90,297,733</u>
Total Assets	<u>141,791,331</u>
Liabilities	
Accounts Payable	440,648
Accrued Interest	135,415
Bonds Payable	
Due Within One Year	820,000
Due in More than One Year	<u>39,230,615</u>
Total Liabilities	<u>40,626,678</u>
Deferred Inflows of Resources	
Deferred Special Assessments	<u>42,524,805</u>
Net Position	
Net Investment in Capital Assets	50,073,556
Restricted	8,506,950
Unrestricted	<u>59,342</u>
Total Net Position	<u>\$ 58,639,848</u>

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

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Statement of Activities
For the Year Ended December 31, 2022**

Functional Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Community Development	\$ 2,635,585	\$ 2,829,787	\$ -	\$ -	\$ 194,202
Interest on Long-Term Debt	1,430,812	-	-	-	(1,430,812)
Total	\$ 4,066,397	\$ 2,829,787	\$ -	\$ -	(1,236,610)
General Revenues					
Interest Income					91,758
Total General Revenues					91,758
Change in Net Position					(1,144,852)
Net Position, Beginning of Year					59,784,700
Net Position, End of Year					\$ 58,639,848

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

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS**

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Balance Sheet
Governmental Funds
December 31, 2022**

	General Fund	Debt Service Fund 2019	Debt Service Fund 2021	Debt Service Fund 2022	Capital Projects Fund 2021	Capital Projects Fund 2022	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 475,555	\$ 1,062,905	\$ 466,793	\$ 328,787	\$ 11,913	\$ 6,598,405	\$ 8,944,358
Accounts Receivable	3,240	-	-	-	-	-	3,240
Special Assessments Receivable	945,716	16,741,865	17,036,567	7,800,657	-	-	42,524,805
Other Assets	21,195	-	-	-	-	-	21,195
Total Assets	\$ 1,445,706	\$ 17,804,770	\$ 17,503,360	\$ 8,129,444	\$ 11,913	\$ 6,598,405	\$ 51,493,598
Liabilities							
Accounts Payable	\$ 440,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,648
Total Liabilities	440,648	-	-	-	-	-	440,648
Deferred Inflows of Resources							
Deferred Special Assessments	945,716	16,741,865	17,036,567	7,800,657	-	-	42,524,805
Total Deferred Inflows of Resources	945,716	16,741,865	17,036,567	7,800,657	-	-	42,524,805
Fund Balances							
Nonspendable	21,195	-	-	-	-	-	21,195
Restricted	38,147	1,062,905	466,793	328,787	11,913	6,598,405	8,506,950
Total Fund Balances	59,342	1,062,905	466,793	328,787	11,913	6,598,405	8,528,145
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,445,706	\$ 17,804,770	\$ 17,503,360	\$ 8,129,444	\$ 11,913	\$ 6,598,405	

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 governmental funds.	90,297,733
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(40,050,615)
Accrued interest expense is not reported in the governmental funds.	(135,415)
Net Position of Governmental Activities	\$ 58,639,848

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

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022**

	General Fund	Debt Service Fund 2019	Debt Service Fund 2021	Debt Service Fund 2022	Capital Projects Fund 2021	Capital Projects Fund 2022	Total Governmental Funds
Revenues							
Special Assessments - Operations	\$ 834,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 834,766
Special Assessments - Debt Service	-	1,021,627	920,704	-	-	-	1,942,331
Developer Contribution	52,690	-	-	-	-	-	52,690
Interest Income	197	15,032	8,193	4,167	112	64,057	91,758
Total Revenues	887,653	1,036,659	928,897	4,167	112	64,057	2,921,545
Expenditures							
Community Development							
Field Operations	676,932	-	-	-	-	-	676,932
General and Administrative	151,379	-	-	-	-	6,000	157,379
Debt Service - Principal	-	345,000	350,000	-	-	-	695,000
Debt Service - Interest	-	672,003	570,572	166,948	-	-	1,409,523
Debt Service - Issuance Costs	-	-	-	-	-	303,227	303,227
Total Expenditures	828,311	1,017,003	920,572	166,948	-	309,227	3,242,061
Excess (Deficiency) of Revenues Over Expenditures	59,342	19,656	8,325	(162,781)	112	(245,170)	(320,516)
Other Financing Sources (Uses)							
Proceeds from Bond Issuance	-	-	-	417,001	-	6,918,143	7,335,144
Transfers In	-	-	130	75,708	2,575	1,140	79,553
Transfers Out	-	-	(2,574)	(1,141)	(130)	(75,708)	(79,553)
Total Other Financing Sources (Uses)	-	-	(2,444)	491,568	2,445	6,843,575	7,335,144
Net Change in Fund Balances	59,342	19,656	5,881	328,787	2,557	6,598,405	7,014,628
Fund Balances, Beginning of Year	-	1,043,249	460,912	-	9,356	-	1,513,517
Fund Balances, End of Year	\$ 59,342	\$ 1,062,905	\$ 466,793	\$ 328,787	\$ 11,913	\$ 6,598,405	\$ 8,528,145

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

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ 7,014,628
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(1,498,047)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,640,144)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(21,289)</u>
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Change in Net Position of Governmental Activities	<u>\$ (1,144,852)</u>
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The accompanying notes are an integral part of these financial statements.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Organization

The general purpose of Lakeshore Villages Master Community Development District (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 St. Tammany 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 Reporting Entity

Lakeshore Villages Master Community Development 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 District is a special district governed by a Board of Supervisors consisting of five members.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Provisions of Governmental Accounting Standards Board (GASB) Statements establish criteria for determining which component units should be considered part of the District. The basic criterion for including a potential component unit with the reporting entity is financial accountability. Using these criteria, the District has no component units.

Basic Financial Statements - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - Government-Wide Financial Statements (Continued)

The statement of activities 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 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, which 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. The General Fund, the main operating fund of the District, is used to account for all financial resources of the District except for those required to be accounted for in another fund. The Debt Service Fund 2019, Debt Service Fund 2021, and Debt Service Fund 2022 account for the accumulation of resources for the payment of general long-term debt principal and interest. The Capital Projects Fund 2021 and Capital Projects Fund 2022 account for the proceeds of the 2021 Special Assessment Revenue Bonds and 2022 Special Assessment Revenue Bonds, respectively, which were used for the purchase of constructed infrastructure.

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.

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 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 are recorded only when payment is due.

LAKESHORE VILLAGES MASTER COMMUNITY DEVELOPMENT DISTRICT

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

Budget and Budgetary Accounting

The District adopts an annual budget for the General Fund. The budget is legally adopted and amended as necessary by the District. All budget amounts which are not expended or obligated lapse at year-end. Actual general fund expenditures were more than appropriations by \$31,716 for the fiscal year ended December 31, 2022.

Cash and Cash Equivalents

The District's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash and cash equivalents represent amounts restricted according to applicable bond and debt agreements.

The District is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the United States, or laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State law provides that the amount of the security shall at all times be equal to 100% of the amount on deposit to the credit of each depositing authority, except that portion of the deposit insured by federal deposit insurance.

Special Assessments

Special assessments are amounts assessed to property owners for services or capital improvements that are intended to directly benefit the property owners rather than the citizenry as a whole. Special assessments may be of the service (operating) type or the capital improvement type.

Service

In the government-wide financial statements, service-type special assessment revenues (and related receivables) are reported when the service is provided, regardless of when the service is billed or collected.

Service-type special assessment revenues are recognized in governmental funds in the period in which the service is provided (the exchange has occurred) if the amount will be collected within the availability period. Service-type special assessment receivables are recognized when the service is provided, with a deferred inflow of resources recorded to the extent that related revenues are not available.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Special Assessments (Continued)

Capital Improvement

Capital improvement-type special assessments improve or add to infrastructure related to specific properties, and thus, directly benefit the property owners.

In the government-wide financial statements, capital improvement-type special assessment receivables are reported at the time of the special assessment levy. Revenue is recognized when the assessment is collected.

Capital improvement-type special assessment revenue is recognized in the governmental funds when the District has an enforceable legal claim against the property owners (the levy date) and the revenues are measurable and available. Deferred inflows of resources are reported for the portion that is not available.

Receivables

All receivables are reported net of uncollectible amounts. At December 31, 2022, the District estimates that all receivables are fully collectible and has recorded no allowance for uncollectible accounts.

Capital Assets

Capital assets, which include infrastructure (e.g., roads, levees, and similar items), are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets, if any, are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets of the governmental funds are recorded as expenditures at the time they are purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes assets in excess of \$5,000 with a useful life of two or more years. Capital assets are included on the statement of net position, net of accumulated depreciation. Depreciation on infrastructure is computed using the straight-line method over useful lives ranging from 25 to 40 years.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Debt (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

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, liabilities, deferred inflows of resources, 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.

Board of Supervisors

For the year ended December 31, 2022, the members of the Board of Supervisors (the Board) received per diem as follows: Terrance Bright, Chairman - \$525, Lawrence Dupre, Vice Chair - \$525, Desmond Leblanc, Treasurer - \$450, Dr. Kenny Gilchrease, Sr. - \$450, and Anthony Caruso - \$525.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows of resources. Net position should be displayed in three components:

- *Net Investment in Capital Assets* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement of those assets.
- *Restricted* - Distinguishes between major categories of restrictions and consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* - Consists 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 net investment in capital assets or the restricted component of net position.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Balance

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 spent.

Fund balance is reported in five components, as follows:

- *Non-Spendable* - 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* - Consists of amounts with constraints either by third parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used for the specific purposes stipulated in the legislation.
- *Committed* - Consists of the amounts used for specific purposes pursuant to constraints imposed by formal action of the District's Board. 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* - Consists of amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed.
- *Unassigned* - Consists of amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned).

Note 2. Cash and Cash Equivalents

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's deposit policy for custodial credit risk conforms to state law, as described in Note 1. At December 31, 2022, the District's demand deposits bank balance of \$482,265 was entirely secured by federal deposit insurance. The District's cash equivalents of \$8,468,803 consist of money market funds holding U.S. Treasury and government agency securities.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 3. Special Assessments

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 annual installment and levy are to be evidenced to and certified to by the Tax Assessor, 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 taxes are due and payable by December 31st of each year and become delinquent thereafter. The special assessments constitute a lien on the property against which they are assessed until paid and are enforceable in like manner as parish taxes.

The District's special assessments receivable as of December 31, 2022 are as follows:

	General Fund	Debt Service Fund 2019	Debt Service Fund 2021	Debt Service Fund 2022	Total
Current					
Service-Type Special Assessments	\$ 945,716	\$ -	\$ -	\$ -	\$ 945,716
Capital Improvement Special Assessments	-	1,101,865	991,567	535,657	2,629,089
	945,716	1,101,865	991,567	535,657	3,574,805
Noncurrent					
Capital Improvement Special Assessments	-	15,640,000	16,045,000	7,265,000	38,950,000
Total Special Assessments Receivable	\$ 945,716	\$ 16,741,865	\$ 17,036,567	\$ 7,800,657	\$ 42,524,805

In 2019, the District approved the levy of a capital improvement-type special assessment on the property owners of the District in the amount of \$17,000,000 in order to secure the \$17,000,000 Series 2019 Special Assessment Revenue Bonds issued that same year. See Note 5 for more details on the bonds.

In 2021, the District approved the levy of a capital improvement-type special assessment on the property owners of the District in the amount of \$16,750,000 in order to secure the \$16,750,000 Series 2021 Special Assessment Revenue Bonds issued that same year. See Note 5 for more details on the bonds.

In 2022, the District approved the levy of a capital improvement-type special assessment on the property owners of the District in the amount of \$7,370,000 in order to secure the \$7,370,000 Series 2022 Special Assessment Revenue Bonds issued that same year. See Note 5 for more details on the bonds.

On June 25, 2021, the District approved the levy of a service-type special assessment on the property owners of the District intended to fund the operations for the fiscal year ended December 31, 2022. The District's 2022 budget totaled \$834,766. The total assessment to the lot owners was \$401,967 with the remaining balance of \$432,799 plus collection fees to be paid by the developer in 2022.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 3. Special Assessments (Continued)

On June 20, 2022, the District approved the levy of a service-type special assessment on the property owners of the District intended to fund the operations for the fiscal year ended December 31, 2023. The District's 2023 budget totaled \$1,185,663. The total assessment to the lot owners was \$945,716 with the remaining balance of \$239,946 plus collection fees to be paid by the developer in 2023.

Note 4. Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Levees	\$ 36,000,000	\$ -	\$ -	\$ 36,000,000
Levee Canals	7,000,000	-	-	7,000,000
Interior Canals	3,900,000	-	-	3,900,000
Retention Ponds	612,000	-	-	612,000
Total Capital Assets Not Being Depreciated	47,512,000	-	-	47,512,000
Capital Assets Being Depreciated				
Roads, Streets, and Drainage	46,288,527	-	-	46,288,527
Utility Plants and Pumps	3,500,000	-	-	3,500,000
Landscape and Design	6,025,000	-	-	6,025,000
Total Capital Assets Being Depreciated	55,813,527	-	-	55,813,527
Less Accumulated Depreciation for:				
Roads, Streets, and Drainage	(6,525,662)	(1,157,214)	-	(7,682,876)
Utility Plants and Pumps	(2,053,333)	(140,000)	-	(2,193,333)
Landscape and Design	(2,950,752)	(200,833)	-	(3,151,585)
Total Accumulated Depreciation	(11,529,747)	(1,498,047)	-	(13,027,794)
Total Capital Assets Being Depreciated, Net	44,283,780	(1,498,047)	-	42,785,733
Capital Assets, Net	\$ 91,795,780	\$ (1,498,047)	\$ -	\$ 90,297,733

Depreciation expense for the year ended December 31, 2022 amounted to \$1,498,046.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 5. Long-Term Debt

On October 17, 2019, the District issued \$17,000,000 in Special Assessment Revenue Bonds, Series 2019. The bonds are due in annual principal and interest installments payable through 2048. The bonds have interest rates ranging from 3.625% to 4.375%. The bonds are secured by the revenues received by the District from the capital improvement-type special assessment. Proceeds from the bonds were used to acquire infrastructure from the developer, pay the cost of issuance, make a deposit into the debt service reserve account, and pay a portion of the interest due in 2019.

On June 8, 2021, the District issued \$16,750,000 in Special Assessment Revenue Bonds, Series 2021. The bonds are due in annual principal and interest installments payable through 2051. The bonds have interest rates ranging from 2.375% to 4.0%. The bonds are secured by the revenues received by the District from the capital improvement-type special assessment. Proceeds from the bonds were used to acquire infrastructure from the developer, pay the cost of issuance, make a deposit into the debt service reserve account, and pay a portion of the interest due in 2021.

On June 17, 2022, the District issued \$7,370,000 in Special Assessment Revenue Bonds, Series 2022. The bonds are due in annual principal and interest installments payable through 2052. The bonds have interest rates ranging from 4.45% to 5.5%. The bonds are secured by the revenues received by the District from the capital improvement-type special assessment. Proceeds from the bonds were used to acquire infrastructure from the developer, pay the cost of issuance, make a deposit into the debt service reserve account, and pay a portion of the interest due in 2022.

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2022:

	Special Assessment Revenue Bonds
Payable at January 1, 2022	\$ 33,095,000
Issued	7,370,000
Retired	<u>(695,000)</u>
Payable at December 31, 2022	39,770,000
Less: Bond Discount, Net	(80,038)
Add: Bond Premium, Net	<u>360,653</u>
Net Payable at December 31, 2022	<u>\$ 40,050,615</u>
Due Within One Year	<u>\$ 820,000</u>

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT**

Notes to Financial Statements

Note 5. Long-Term Debt (Continued)

The annual requirements to maturity as of December 31, 2022 are as follows:

Year Ending December 31,	Special Assessment Revenue Bonds							
	Series 2019		Series 2021		Series 2022		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 360,000	\$ 659,225	\$ 355,000	\$ 562,200	\$ 105,000	\$ 390,483	\$ 820,000	\$ 1,611,908
2024	370,000	645,994	365,000	553,650	110,000	385,699	845,000	1,585,343
2025	385,000	632,064	375,000	544,862	115,000	380,693	875,000	1,557,619
2026	400,000	617,350	380,000	535,895	120,000	375,464	900,000	1,528,709
2027	415,000	602,064	395,000	525,705	125,000	370,013	935,000	1,497,782
2028 - 2032	2,330,000	2,756,450	2,145,000	2,448,820	745,000	1,746,781	5,220,000	6,952,051
2033 - 2037	2,855,000	2,231,478	2,505,000	2,089,120	955,000	1,527,491	6,315,000	5,848,089
2038 - 2042	3,515,000	1,569,166	2,940,000	1,652,120	1,260,000	1,231,194	7,715,000	4,452,480
2043 - 2047	4,375,000	713,016	3,545,000	1,044,500	1,655,000	837,512	9,575,000	2,595,028
2048 - 2052	995,000	21,766	3,395,000	278,300	2,180,000	312,950	6,570,000	613,016
Total	\$ 16,000,000	\$ 10,448,573	\$ 16,400,000	\$ 10,235,172	\$ 7,370,000	\$ 7,558,280	\$ 39,770,000	\$ 28,242,025

Note 6. Developer Contribution

For the year ended December 31, 2022, the developer contributed \$52,690 in funds for expenses incurred by the District.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2022, the District carried insurance through various commercial carriers to cover all risks of loss. The District had no claims in any of the past two fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2022**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Special Assessments - Operations	\$ 834,766	\$ 834,766	\$ 834,766	\$ -
Developer Contribution	-	-	52,690	52,690
Interest Income	-	-	197	197
Total Revenues	834,766	834,766	887,653	52,887
Expenditures				
Community Development				
Field Operations	689,073	689,073	676,932	12,141
General and Administrative	107,522	107,522	151,379	(43,857)
Total Expenditures	796,595	796,595	828,311	(31,716)
Excess (Deficiency) of Revenues Over Expenditures	38,171	38,171	59,342	21,171
Net Change in Fund Balance	\$ 38,171	\$ 38,171	\$ 59,342	\$ 21,171
Fund Balance, Beginning of Year			-	
Fund Balance, End of Year			\$ 59,342	

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2022**

Agency Head
Terrance Bright, Chairman

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$525
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities and the major funds of Lakeshore Villages Master Community Development District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 20, 2023

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Schedule of Findings and Responses
For the Year Ended December 31, 2022**

Part I - Summary of Auditor's Results

Financial Statements

Type of report the auditor's issued: Unmodified

Internal control over financial reporting:

- a. Material weaknesses identified? No
- b. Significant deficiencies identified? None reported

Noncompliance material to the financial statements noted? No

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

None.

**LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
Schedule of Prior Year Findings
For the Year Ended December 31, 2022**

2021-001 Local Government Budget Act

Condition: The District did not amend its 2021 General Fund budget to reflect the overage in actual to budget expenditures of greater than 5%.

Status: This finding has been resolved.

AGREED-UPON PROCEDURES REPORT

Lakeshore Villages Master Community Development District

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2022 - December 31, 2022

To the Board of Supervisors of
Lakeshore Villages Master Community Development District
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2022 through December 31, 2022. Lakeshore Villages Master Community Development District's (the District) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal year January 1, 2022 through December 31, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were found as a result of these procedures.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of these procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of these procedures.

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- [Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]*
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were found as a result of these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe whether the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: The selected officials did not obtain the ethics training. No other exceptions were found as a result of these procedures.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: No exceptions were found as a result of these procedures.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: The notice is not posted on the District's website. No other exceptions were found as a result of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: The sexual harassment policy is not posted on the District's website. The District did not prepare the report for the current fiscal period. No other exceptions were found as a result of these procedures.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
June 20, 2023

LAKESHORE VILLAGES MASTER
COMMUNITY DEVELOPMENT DISTRICT
2345 GAUSE BLVD. SLIDELL LOUISIANA 70461

Mr. Michael J. Waguespack
Louisiana Legislative Auditor
1600 N 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Statewide Agreed-Upon Procedures

The management of Lakeshore Villages Master Community Development District wishes to provide the following responses relative to the results of the 2022 Statewide agreed-upon procedures engagement:

1. In response to the results of the Ethics section we will ensure all employees/officials obtain one hour of ethics training.
2. In response to the results of the Fraud section we post on premises and website the notice required by RS 24:523.1
3. In response to the results of the Prevention of Sexual Harassment Section, we will implement procedures necessary to ensure that the annual report is filed timely each year.

Lakeshore Villages Master Community Development District



Designated Representative