

## ANNUAL REPORT OF HERITAGE PINES CDD TO RESIDENTS

FISCAL YEAR ENDING SEPTEMBER 30, 2009

Your Board of Supervisors of the Heritage Pines CDD takes this opportunity to report to the Residents on the financial situation and activities during the past Fiscal Year. Many of you may have seen the recent newspaper article reporting that about 45% of the Tampa area CDDs are in financial trouble because of the downturn in the housing market. Almost all of those in trouble were formed in the last 5 years and own either the club house or golf course or both. Since development slowed or almost stopped in those CDD districts, the number of houses sold is less than 50% of the expected number and therefore, the revenue flow to the CDD has been diminished. In most cases, the developer has refused to make enough payments to enable the CDD to make its bond payments.

Here in Heritage Pines, we do not have any of these problems. Your CDD is in excellent financial condition and is paying all of its bond obligations on time. We are attaching a copy of the unaudited financial statements for the Fiscal Year ending on September 30, 2009. Some of the highlights are as follows:

--- The financial statements are broken into 2 parts -- General or operating funds and Debt Service or repayment of the bonds.

--- The balance sheet shows (second line from the bottom) a total fund balance of \$252,448 of which \$83,000 is designated reserved for a stormwater improvement contract in progress. Deducting this \$83,000, still leaves us with a fund balance (or reserve) of \$170,000.

--- The General Fund shows the \$344,096 revenue from assessment that you pay with your property tax bill and the \$200,000 settlement received from Lennar. You will see under Operations and Maintenance, Dry retention pond refurbishment that we spent \$140,163 for work done by Bio-Mass, our contractor for the stormwater improvement project. At the end of September, we still owed Bio-Mass \$83,000 for uncompleted work. When this is paid in 2010 Fiscal Year it will reduce our Fund Balance (reserves) to \$94,000 which is still an increase from the \$71,545 at the beginning of the year.

--- As of the end of September 2009, the balance to be paid on the bonds outstanding is \$1,890,000 (down from the initial balance of \$2,700,000 in 2000.) The repayment of these bonds will end in May 2020.

Major activities during Fiscal Year 2009.

--- Settlement of legal process against Lennar.

When the current Board was seated in Dec. 2008, a legal process was in place from July 2008 wherein the CDD filed for compensation from Lennar for faulty construction

and lack of oversight during the time the CDD was controlled by Lennar/US Homes. The Board began an investigation in to the merits of this case which claimed \$6,000,000 in repayment from the developer. It was determined that previous Board leadership had instructed the CDD Engineer to estimate damages based on parameters not justified by local regulations or design criteria. The Board also engaged an experienced contractor to estimate the costs involved in repairing the dry and wet retention areas to make them safe for mowing and replacing the sod to control the erosion to the banks. During this process, the Board met with Valley Crest and agreed to purchase additional mowing equipment that would operate safely on the retention area slopes. The cost of this equipment was \$59,000. The contractor estimated the total work at \$300,000. We requested direct negotiation with Lennar and after several meetings we were able to get their agreement to settle for \$200,000. By postponing the non urgent work to 2010 and further negotiation with the contractor, the Board was able to lower the cost to around \$220,000. The Board agreed, on May 12<sup>th</sup>, to accept the settlement with Lennar for \$200,000 and award a contract to Bio-Mass for about \$216,000. The work has been completed in October of 2009.

--- The contractor that treats the ponds was replaced with a new contractor to reduce cost and obtain a more complete water analysis necessary to submit reports to the Audubon Society.

--- Adjustments were made to the mowing heights for retention areas that are in play as part of the golf course. This was done to reduce grass length which was making it difficult to locate balls in the retention areas.

--- The 2010 Fiscal Year budget was approved. This budget reduced administrative expenses (Engineer and Legal) and resulted in a reduction of the annual assessment from \$407 to \$377.

--- Several meetings were held with Tommy Land of Valley Crest and Bill Berthold of the Homeowners Association to establish a closer communication and working relationships between the 3 organizations.

We appreciated the many communications we receive from Residents reporting or inquiring on retention area problems which they observe. We are always happy to receive you comments and to have you attend our Board meetings.

Your Heritage Pines CDD Board of Supervisors

Herb Elliott  
Ray Russell  
Joe Bratt  
Bob Zimmerman  
Gil Herr

December 8, 2009