



SUN CITY ANTHEM COMMUNITY ASSOCIATION, INC.

October 3, 2008

Board of Directors
Sun City Anthem Community Association
2450 Hampton Road
Henderson, NV 89052

SUBJECT: Audit for period ended December 31, 2007

Gentlepersons:

Frank Note: At the beginning of this assessment year, the SCA annual assessments were (arbitrarily/unjustifiably) increased by \$160 to a total of \$1,100.00 annually. This record shows that the board and community manager:

1. Were willfully/illegally holding on to prior year surpluses and calling them "working capital"--without returning them to members--and without paying taxes.

2. NOT consulting with the membership on how to return surplus assessments. Instead, other documents show that the board had arbitrarily decided to NOT return the surplus assessments--thus violating IRS RR-70-604.

This letter confirms the board temporarily cancelled \$100 of the unneeded 2008 increase of \$160 for the 4th quarter of the year. But, it fails to say why the \$3.1 million of the 2006 reported accumulated surpluses had not been returned or credited in the first quarter of the current year--as claimed would be done (under oath on the federal tax return) and in the previous SCA Board Resolution. This Board document (and others) appear to contain self-admitted violations of state and federal regulations/laws.

The Board of Directors with the assistance of the Finance Committee annually reviews all of our financial management practices. The Board concurs with the Finance Committee that three months working capital is a prudent level to maintain in these uncertain economic times and given the fact that our assessment billings are quarterly.

When a surplus is identified the Board of Directors, again assisted by the Finance Committee, carefully evaluates either reducing assessments or deferring the excess. As an example, the delay in construction of Recreation Center Three reduced budgeted expenses and the membership was granted a \$100.00 reduction of their fourth quarter assessment.

Respectfully,

Terry DaSilva
Community Manager