



HILBURN & LEIN, CPA'S
A PROFESSIONAL CORPORATION

Gary W. Lein, CPA

Shareholder

Greg M. Sinacori, CPA

Shareholder

Philip C. Bateman, CPA

Shareholder

July 28, 2008

Comment: In the 6th paragraph, Auditor & Tax Preparer Gary Lein advises the SCA Board of Directors to "act timely in returning those surplus funds to the members of the Association." But, the record shows the board did not follow that recommendation. The auditor did not mention the failure to return the surplus in the subsequent year's audit and tax return.

To the Board of Directors of
Sun City Anthem Community Association, Inc.

In planning and performing our audit of the financial statements of Sun City Anthem Community Association, Inc. for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control structure over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. The purpose of the audit was to express an opinion of the financial statements, but not express an opinion on the effectiveness of the entity's internal control over financial reporting. As such, we are not expressing an opinion on the effectiveness of internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness, if applicable, is a significant deficiency, or combination of control deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

During our audit, we have become aware of certain significant deficiencies or matters that are opportunities for strengthening internal controls and operating efficiencies. This report summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report on the financial statements of Sun City Anthem Community Association, Inc. This report is intended solely for the information and use of the Board of Directors, management, and others within the Association and is not intended to be and should not be used by anyone other than these specified parties.

The Association has adopted a policy of retaining three months of operating working capital. NRS 116.3114 states an Association can establish a "provision for common expenses" before determining if the Association has a surplus. If and when a surplus does exist, we recommend the Association act timely in returning those surplus funds to the members of the Association.

The Finance committee continues to be an important part of the finances of the Association. Their oversight and accounting knowledge provides another layer of protection in safeguarding the assets of the Association.

We recommend the Association continue to aggressively follow its formal collection policy for delinquent assessments and receivables.

We at Hilburn & Lein, CPA's would like to take this time to thank you for letting us provide professional services to your Association and look forward to any services we may provide in the future. If you have any questions, please do not hesitate to contact us.

Respectfully,

Hilburn & Lein, CPA'S

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Comment: This letter in July 2008 was sent after 6 months of public debate over whether RR 70-604 required the Board to return the accumulated membership assessment surpluses, or not. As far as I know, this was the only correspondence sent by Mr. Lein to the Board advising them to "return surplus funds to the members of the Association."

This letter was withheld from me while I was serving on the board. It was only recently discovered in the association files by another member when searching for other audit-related records. We also see that Mr. Lein was careful to remind the board to set aside funds to provision for common expenses such as "working capital" BEFORE declaring income as surplus. But, Mr. Lein was both auditor and tax preparer. He was routinely consulted on all of the major financial decisions made by the SCA Board and Finance Committee.

I believe this letter is evidence Mr. Lein was a knowing partner in the Board's action to disregard the provisions of RR 70-604, and to willfully fail to return surplus member assessments since 2002.