Comments: Board President Mike Dixon, PhD (Chem) displays in this public notice the board's, tax preparer's and finance committee's public refusal to disclose/admit they had to return declared suplus member assessments per 70-604. As a Director in 2007-2009 I demanded the surplus member funds be returned. But, with so many CPAs and the auditor in opposition, I failed. This tax practice was inherited from Del Webb/Pulte and was promoted by Tax Preparer Gary Lein, CPA. All those involved (at that time and since) know or suspected it was wrong, but refused to change--unless directed by the IRS.

President's Message March 1, 2008

Setting the Record Straight – Association Working Capital

It has recently been alleged that Sun City Anthem carries a multi-million dollar "slush fund" on the Balance Sheet**.** This is a long way from the truth. As a part of our annual corporate income tax filings, we elect to carry forward certain amounts from one year to the next. At the end of 2006, this amount was $3.179 million. A portion of the carry forward amount is actually the working capital of the Association and the remainder includes amounts from several separate accounting funds.

In 2006 approximately $1 million was in our Land Building & Equipment fund. This fund is accumulated from money collected as the New Member Fee or Asset Enhancement Fee. These fees were approved by the members as a part of the 2004 CC&R revision. We use the Land Building and Equipment fund to enhance Association facilities. In 2007 we purchased a new sound system for the Morris and Penn rooms in Independence center, and bought 3 new treadmills for the fitness center. This year we plan to use money from this fund to buy permanent shade structures for our outdoor pool and partial cover and new landscaping for the Independence Center courtyard. We also use this fund to purchase things that are too inexpensive, have not been previously reserved for or have too short a useful life to be reserved. For example, in 2007 we replaced all the computers in our Administration office.

The $3.179 million carry forward amount also included accounts receivable and equity of the Neighborhood Villas and Pinnacle. At the end of 2006, we had $319,000 in receivables and $255,000 in equity of the Neighborhood Villas and Pinnacle.

The vast majority of the remaining portion of the $3.179 million carry forward amount was our dues carry forward, an amount sometimes called equity. Every corporation keeps a certain amount of money available in case revenues don't come in as planned, or expenses are greater than planned.

Comment: SCA is not like "every corporation". SCA is a HOA and 70-604 exempts only HOAs from income taxes IF, and only IF, the surpluses/carry forward funds are RETURNED to members.

The sum of the Land Building and Equipment fund, the accounts receivable and the equity fund for the Villas and Pinnacle was $1.574 million, leaving $1.605 million in dues carry forward (equity) in the Association operating account. The Association's monthly operating costs at the end of 2006 were about $650,000, so the operating account equity at this time was approximately 2 months of operating costs. During the 2007 budget process, the board decided that 3 months of operating costs was appropriate; so at the end of 2006 the Association was a little short of this amount.

Comment: This was a misdirection/deception away from the issue of 70-604 requirement to RETURN the reported surplus assessments. It confused some members of the Finance Committee--who should have known better.

Calling the Sun City Anthem working capital a "slush fund" is more than just misleading. A "slush fund" represents money that can be spent on anything. The money that the Association keeps available is the money that guarantees we can continue to operate effectively. The fact that we've made these provisions demonstrates clearly that we are an exceedingly well run homeowner's association.

Please feel free to contact me directly if you have further questions on this situation

Comment: Even in 2008, Directors Mike Dixon, Roz Berman & (CPA) Jack Troia knew the above was false. Troia had admitted verbally the accumulation of surplus assessments in violation of 70-604 was a conscious decision based on a 2% audit risk in Nevada.