



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:

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

Comment Up to this tax year, a total of \$4.755 million of untaxed surpluses had been carried over.

This document shows that the board and its community manager were:

1. Willfully holding on to surpluses and calling them "working capital" without returning them to members and without paying taxes.
2. Confirms the board was NOT consulting with the membership on what to do with surpluses/excess assessments. Instead, the board was deciding on the disposition of surplus assessments without asking the members. This appears to be violating IRS RR-70-604.
3. At the beginning of the budget year, assessments were increased by \$160 to a total of \$1,100.00 annually. This letter confirms the board temporarily reduced the increase by \$100. But, it is silent on why the accumulated surpluses from last year had not been returned or credited.