

## Candidate Corrects Board President

Unfortunately, I am compelled to advise SCA Homeowners that Board President Dixon's latest report on finances is filled with massive false assertions. This report appears to be made solely to dismiss or cover-up widely known facts about SCA financial problems.

It is truly regrettable; but this fine community has learned it has been governed since 2005 by Directors dedicated to covering up financial mismanagement about such key items as excess dues collections as well as contracts mismanagement. In addition, our previous and current Board Presidents were/are dominated by our developer's interests, and they have failed to seek the monies owed by the developer, or by others. A truly sad track record!

FACT: Board President Mike Dixon, Treasurer Roz Berman and 4 other Board Members led the program to increase your dues by \$160 for 2008 to make up for the millions not collected from the developer and Trumpet's operator. Only one Board Member, Bob Frank, stood up for you against the other six. Result? Homeowners were forced to chip in an additional million dollars a year while Mr. Dixon, Ms. Berman and Ms. Berg increased their personal campaigns to try to remove Bob Frank from the Board for "not being a team player."

FACT: The President and his band of merry-men/women unity team not only rejected Bob Frank's demand to rescind the "2008 tax" on homeowners for the unneeded \$160 increase, but this unity team also ignored Bob Frank's efforts to abolish the **slush fund** containing somewhere **\$2,570,000** and **3,750,184** in excess/surplus dues and other SCA income. These funds are required by federal law/IRS rulings to be returned homeowners. Otherwise, SCA owes Federal Income taxes of 30%, plus potential interest and penalties.\*

FACT: IRS Ruling 70-604, and important federal court decisions, require homeowner associations to annually rebate or credit all excess dues collected each year. That ruling requires putting the question of rebate, or credit, to the homeowners--not the Board of Directors. If this federal income procedure to determine what happens to excess funds is not strictly followed then all excess funds become regular income of the homeowner's association and subject to a 30% tax.\*\*

FACT: Mr. Dixon in his recent "President's Reports" has openly admitted there is indeed a **slush fund**. He then goes on to falsely assert it is a legally accepted "reserve fund". This outrageous claim is despite the fact the community website proclaims under CY2008 SCA Budget that there is \$2,570,000 in a "Projected Cumulative Equity" spending account. The fact can not be escaped—that money is "surplus dues" collected in excess to what was needed to pay for past operating expenses or to fund capital reserves. And, you, the majority of SCA homeowners, have the lawful right to decide if you get a rebate or credit on future dues.

FACT: The previously described **slush fund** that came from collecting excessive dues was falsely certified in IRS returns by past SCA Boards in 2003, 2004, 2005 and 2006 that such dues surpluses would be applied "against next year's dues assessments". They were not.

Additionally, the Boards have compounded their apparently incorrect IRS tax certifications by also passing annual Board Resolutions that the **slush fund** money "would be applied AGAINST next year's assessments". This did not happen.

But, as recently "explained" in Mr. Dixon's President's Report "...well, gee....The Board didn't actually ask the homeowners **IF** they wanted their money back—as promised in our Tax Returns! Of course, the Board knew that homeowners would have said, "give it all back".

So, the Board has ignored the IRS rulings and case law examples, and based on what now is seen as highly questionable "expert" advice, the Board majority approved a budget that quietly squirreled away the excess dues in a secretive **slush fund** to spend as they wished. Meanwhile, the Boards and Finance Committees have ignored legal requirements to return leftover dues, and they have unnecessarily raised 2008 dues by \$160 per household!

FACT: The greatest whopper is Mr. Dixon's claim that **slush fund/retained excess dues** money is "Reserve Money!" A totally outrageous/unjustifiable claim—this is Pinocchio revisited!!

Ask yourself, is the SCA Website's 2008 Budget Document wrong where it states there is at least \$2,570,000 in "Projected Cumulative Equity" that is available to offset "unexpected" expenses? Or, is the President making false statements? In fact, in yet another Budget 2008 section, the \$2,570,000 amount is referred to as a "Surplus". What is the real truth?

So, how can our Board create a slush fund and expect to be able to deceive the IRS? Simple. Consider the following hypothetical "conversation."

*"You see, Mr. IRS man, (said the Board President and Treasurer with a wink, a sly smile, and a nod) these people here in Sun City Anthem are really children, sir, and we are the adults who can make decisions concerning their money. So, naturally we don't allow them to vote on getting their money back as, my goodness, all they would do is spend it on themselves. Frankly, it is better to keep it in our **slush fund/surplus equity fund** so we can hire interior decorators, and the like (at \$37,000 a pop)."*

FACT: But, as hard as they tried, even this and past Boards could not spend all of that huge excess dues amount of \$3,570,184! So, the **slush funds/retained surplus dues** have just grown and grown under an income tax classification of "retained earnings". This type of account can be considered "profits" and is taxable at the 30% rate when a tax man cometh!!

Meanwhile, our Finance Committee, our auditor, and their sponsoring Board Members are trying desperately to cover up past mistakes. And, that huge pile of cash sits, waiting to be spent, unless new leadership gets on the Board of Directors. Finally, the penalties and interest owed could be very painful if we wait until the IRS conducts an audit--instead of approaching them with hat-in-hand to reconcile our past mistakes.

FACT: But wait, there is more!! At the 3/27/08 Monthly Board meeting, the Board majority finally admitted Rev. Ruling 70-604 required a return of excess dues. This means that they

agreed with me, Director Bob Frank, and other leading members of the community about this matter of IRS and the law. Unfortunately, they only voted to return/credit a paltry \$60 of the \$160 increased dues assessment for 2008. (Director Bob Frank moved to refund the whole \$160 for 2008, but no other Board Member on Mr. Dixon's unity team would allow a second.

If Director Frank's motion had passed, the principle would have been established so that in the future, all homeowners could be eligible to receive over \$400 of excess dues plus the \$160 dues reduction. Even after that action was taken, the association would still remain in a very strong financial condition. We will still have over \$8,000,000 in annual receivables plus millions in the bank for capital reserves. Note, if elected, I will be there to assist Director Frank with the work of getting our financial management under control.

Finally, and most importantly, it is for all of us to be aware that this President is attempting to influence your votes by using his community position to help candidates he wants to see elected. Please look past his, and the Treasurer's, and the Finance Committee's propaganda and falsehoods. Dig under the guise of a "President's Report" and demand to know the truth.

It's your money! You have the right to know the truth, and you CAN "handle the truth".

*John*

John V. Briggs  
Candidate for SCA Board of Directors  
March 29, 2008

\* Please visit my website [www.senbriggsret.com](http://www.senbriggsret.com) and make up your own mind.

\*\* An IRS resident expert warned the Board that it must strictly follow Rev. Ruling 70-604 to avoid the 30% income tax on excess dues.