



November 6, 2012

Mr. Jeff Kiser, City Manager
City of Anderson
1887 Howard Street
Anderson, CA 96007

Dear Mr. Kiser:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Anderson Successor Agency (Agency) submitted an oversight board approved LMIHF DDR to Finance on November 6, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Pursuant to HSC section 34179.6 (d), Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

The DDR submitted included all Other Funds and Accounts (OFA), including the LMIHF. Based on our initial review, Finance made no adjustments to the LMIHF balance available for allocation to the affected taxing entities. As a result, there were no unencumbered LMIHF balances available for distribution.

However, based upon further review during the Meet and Confer process of the OFA DDR, Finance and the Agency determined that the amounts reported for the LMIHF were incomplete, which resulted in the OFA assets and cash balances being overstated. Finance worked with the Agency to fully segregate the OFA and LMIHF assets. A separate letter will be issued to account for the necessary adjustments on the OFA DDR portion.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process for the OFA DDR, Finance is making the following adjustments to the LMIHF DDR:

- Total amount of assets held as of June 30, 2012 (Procedure 5 of the DDR) in the amount of \$160,865 should be increased by \$1,285,352 to \$1,446,217 as reported in the June 30, 2012 balance sheet. The original balance did not include all LMIHF assets that are not cash or cash equivalents.
- Non-cash asset balances (Procedure 7 of the DDR) in the DDR totaling \$1,223,124 are understated by \$195,913. Included in this amount are four loan receivables totaling \$1,249,541, interest receivable on the loans totaling \$126,792, and accounts receivable

totaling \$42,704. Therefore, the non-cash asset balance should be \$1,419,037 (\$1,249,541 + \$126,792 + \$42,704) and OFA balances available for distribution to the taxing entities will be decreased by \$195,913 (\$1,223,124 - \$1,419,037).

- Balances requested to satisfy enforceable obligations on the Recognized Obligation Payment Schedules for the 2012-13 fiscal year (Procedure 9 of the DDR) in the amount of \$33,906 are partially denied. Although the Agency requested to retain \$33,906, only \$32,556 was actually expended on approved enforceable obligations. Therefore, the OFA balance available for distribution to the taxing entities will be increased by \$1,350 (\$33,906 - \$32,556).

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$0 (see table below).

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (1,096,165)
Finance Adjustments	
Add:	
Adjustment to the June 30, 2012 balance:	\$ 1,285,352
Adjustment to non-cash asset balance:	\$ (195,913)
Adjustment to balance needed to be retained:	\$ 1,350
Total OFA available to be distributed:	\$ (5,376)

This is Finance's final determination of the OFA balances available for distribution to the taxing entities.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 31, 2012, do not in any way eliminate the Controller's authority.

Please direct inquiries to Evelyn Suess, Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Liz Cottrell, Finance Director/Treasurer, City of Anderson
Ms. Connie Regnell, County Auditor Controller, Shasta County
Ms. Sheri Jenkins, Managing Accountant Auditor, Shasta County
California State Controller's Office