



March 20, 2013

Ms. Diana G. Edwards, Finance Manager
City of Cloverdale
P.O. Box 217
Cloverdale, CA 95425

Dear Ms. Edwards:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original LMIHF DDR determination letter dated February 12, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Cloverdale Successor Agency(Agency) submitted an oversight board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (Finance) on January 17, 2013. Finance issued a LMIHF DDR determination letter on February 12, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer Session was held on March 4, 2013.

Based on a review of additional or clarifying information provided to Finance during the Meet and Confer process, Finance is revising the adjustments made in our previous LMIHF DDR determination letter. Specifically, we are revising the following adjustments.

- Finance initially adjusted the total asset balance of the LMIHF because there was insufficient documentation to support the balance reported on the LMIHF DDR. During the meet and confer process, the Agency provided the financial statements for fiscal year ending June 30, 2011 and trial balance details for the fiscal year ended June 30, 2012. As a result, Finance determined there is a total asset balance of \$1.9 million as of June 30, 2012. It was determined this balance is comprised of bond proceeds, and therefore, legally restricted. As a result, the Agency's LMIHF balance available for distribution to the affected taxing entities has been revised to zero.

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 September 5, 2012 do not in any way eliminate the Controller's authority.

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Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long, sweeping underline that extends to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Nina Regor, City Manager, City of Cloverdale
Mr. Erick Roeser, Property Tax Manager, County of Sonoma
California State Controller's Office