



December 14, 2012

Mr. A.J. Wilson, Executive Director
Inland Valley Development Successor Agency
1601 East Third Street, Suite 100
San Bernardino, CA 92408

Dear Mr. Wilson:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

This letter supersedes Finance's original LMIHF DDR determination letter dated November 9, 2012. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Inland Valley Development 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 September 28, 2012. Finance issued a LMIHF DDR determination letter on November 9, 2012. 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 November 30, 2012.

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:

Set-aside payments totaling \$9.1 million were denied pursuant to HSC section 34163 (c) (4), which states that agencies are prohibited from making any deposits to the LMIHF after June 27, 2011. Based on the meeting held on November 30, 2012, Finance determined that the transfers identified in the LMIHF DDR were payments to members of the Joint Powers Authority (JPA), not additional payments to the LMIHF.

These funds were on deposit prior to the Recognized Obligation Payment Schedule (ROPS) for the January 1, 2012 through June 30, 2012 period and were distributed as required per the JPA Agreement. Therefore, there are no unencumbered LMIHF balances available for distribution, as reported on the DDR.

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 30, 2012 do not in any way eliminate the Controller's authority.

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Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish above the name.

STEVE SZALAY
Local Government Consultant

cc: Mr. Gary Silvius, Director of Finance, Inland Valley Development Agency
Ms. Alka Chudasama, Internal Auditor, Inland Valley Development Agency
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County
California State Controller's Office