DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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REVISED

November 15, 2012

Mr. Tim Ogden, City Manager
City of Waterford
101 E Street
Waterford, CA 95386

Dear Mr. Ogden:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Waterford (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on October 17, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities.

Finance issued a letter detailing the results of our review on November 9, 2012. Based on additional information provided by the Successor Agency and the Stanislaus County Auditor-Controller, Finance is revising its determination of the Low and Moderate Income Housing Fund (LMIHF) balance available for distribution to the taxing entities. We are no longer questioning the cash transfer of $629,796 to the County of Stanislaus Auditor-Controller on April 9, 2012. It is now our understanding this amount represents unencumbered LMIHF balances that were appropriately remitted to the county for disbursement to the taxing entities.

Additionally, based on information provided in the DDR, it is our understanding that the $5,489 LMIHF asset balance held by the SA as of June 30, 2012 was remitted to the Auditor-Controller on August 23, 2012 to be disbursed to the taxing entities. As a result, Finance has determined there are no unencumbered LMIHF balances available for allocation to the affected taxing entities at this time.

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

Please direct inquiries to Zachary Stacy, Manager or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Lauren Klein, Auditor-Controller, Stanislaus County